# Annual Financial Report 2026

## For the year ended March 31, 2026

CONTENTS



TOYOTA BOSHOKU CORPORATION

## Key Financial Data

(Millions of Yen, unless stated otherwise)

| Fiscal Year | | IFRS | | | | |
|---|---|---|---|---|---|---|
| | | 97th business term | 98th business term | 99th business term | 100th business term | 101st business term |
| Year end | | March 2022 | March 2023 | March 2024 | March 2025 | March 2026 |
| Revenue | | 1,421,451 | 1,604,036 | 1,953,625 | 1,954,218 | 2,037,063 |
| Profit before income taxes | | 64,529 | 52,291 | 88,008 | 47,096 | 61,918 |
| Profit attributable to owners of the parent | | 39,260 | 14,679 | 58,521 | 16,719 | 23,271 |
| Comprehensive income | | 73,686 | 34,348 | 95,476 | 21,944 | 64,672 |
| Total equity attributable to owners of the parent | | 386,162 | 400,741 | 449,597 | 447,420 | 485,256 |
| Total assets | | 964,740 | 1,007,392 | 1,128,491 | 1,094,831 | 1,182,385 |
| Equity per share attributable to owners of the parent | (Yen) | 2,066.53 | 2,144.33 | 2,518.57 | 2,504.56 | 2,716.10 |
| Earnings per share attributable to owners of the parent – Basic | (Yen) | 210.15 | 78.57 | 315.17 | 93.65 | 130.30 |
| Earnings per share attributable to owners of the parent – Diluted | (Yen) | 210.13 | 78.56 | 315.12 | 93.63 | 130.27 |
| Ratio of equity attributable to owners of the parent | (%) | 40.0 | 39.8 | 39.8 | 40.9 | 41.0 |
| Ratio of profit to equity attributable to owners of the parent | (%) | 10.9 | 3.7 | 13.8 | 3.7 | 5.0 |
| Price earnings ratio | (Times) | 9.5 | 27.2 | 8.1 | 21.2 | 18.5 |
| Cash flows from operating activities | | 122,933 | 89,428 | 174,898 | 121,834 | 142,965 |
| Cash flows from investing activities | | (40,893) | (36,461) | (86,698) | (60,955) | (75,499) |
| Cash flows from financing activities | | (48,664) | (40,812) | (91,595) | (54,377) | (48,358) |
| Cash and cash equivalents at end of period | | 237,952 | 248,195 | 244,191 | 249,721 | 278,507 |
| Number of Employees [Average number of part-time employees, not included in number of employees above] | (Persons) | 44,264 [7,777] | 44,581 [8,849] | 46,972 [9,401] | 45,004 [7,857] | 45,521 [9,029] |

(Notes) 1. Number of employees is the number of workers (excluding people dispatched from Toyota Boshoku Corporation and its consolidated subsidiaries (“the Group”) to outside the Group, but including people dispatched from outside the Group to the Group).

2. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**History**

| Date | Overview |
|---|---|
| January 1918 | Founded Toyoda Boshoku Corporation |
| November 1923 | Established Kariya Plant |
| September 1931 | Merged with Kikui Boshoku Corporation |
| February 1942 | Merged with four companies Utsumi Boshoku Co., Ltd., Chuo Boshoku Co., Ltd., Kyowa Boseki Co., Ltd., and Toyoda Oshikiri Boshoku Corporation to establish Chuo Spinning Company |
| November 1943 | Merged with Toyota Motor Co., Ltd. (currently Toyota Motor Corporation) |
| May 1950 | Established Minsei Spinning Co., Ltd. as a separate independent entity from Toyota Motor Co., Ltd. (currently Toyota Motor Corporation) |
| August 1950 | Stock listed on the Nagoya Stock Exchange |
| September 1956 | Established Oguchi Plant |
| August 1967 | Company name changed to Toyoda Boshoku Corporation |
| March 1968 | Merged with Gifu Boseki Co., Ltd. (currently Gifu Plant) |
| December 1972 | Added “Production, processing and sales of auto parts” to its purpose of business |
| February 1973 | Started production of ignition coils |
| September 1973 | Started production of seat fabrics |
| April 1985 | Started production of air filters |
| February 1990 | Started production of fender liners |
| May 1990 | Started production of molded headliners |
| April 1995 | Started production of airbag base fabrics |
| December 1995 | Started production of bumpers |
| January 1998 | Started production of cabin air filters and revolving sensors |
| January 1999 | Started production of silencer pads |
| June 1999 | Started production of oil filters |
| March 2000 | Stock listed on the Tokyo Stock Exchange, First Section |
| May 2000 | Began production for the first time as an interior system supplier for Toyota Motor Corporation’s new RAV4 |
| July 2000 | Started production of intake manifolds |
| October 2000 | Merged with Toyota Kakoh Co., Ltd.<br>Through merger, succeeded to Kisogawa Plant and other three plants, and added floor carpets to the Company’s production lineup |
| October 2004 | Merged with two companies Araco Corporation (car interior components business) and Takanichi Co., Ltd. to form Toyota Boshoku Corporation<br>Through merger, succeeded to Sanage Plant, Takaoka Plant and other seven plants, and added seats and door trims to the Company’s production lineup |
| July 2005 | TNAT (THAILAND) CO., LTD. was merged with TOYODABO ASIA CO., LTD., and the surviving company was renamed TOYOTA BOSHOKU ASIA CO., LTD. (currently a consolidated subsidiary) and was made the Asian regional management hub |
| July 2005 | Two companies TOYODABO AMERICA, INC. and Takanichi-USA, Inc. were merged with ARACO AMERICA INC., and the surviving company was renamed TOYOTA BOSHOKU AMERICA, INC. (currently a consolidated subsidiary) and was made the North American regional management hub |
| July 2005 | Established TOYOTA BOSHOKU EUROPE N.V. (currently a consolidated subsidiary) in Belgium as European regional management hub |
| October 2007 | Reorganized the businesses of six Japanese subsidiaries through a merger into four companies in order to optimize the production system and reform the operational processes |

| Date | Overview |
|---|---|
| February 2008 | Changed the operations of TOYOTA BOSHOKU (SHANGHAI) CO., LTD. from trading operations to investment operations and changed its name to TOYOTA BOSHOKU (CHINA) CO., LTD. (currently a consolidated subsidiary) to strengthen the business management and collaboration function in the China region |
| August 2008 | Established Toyota Boshoku Technical Skills Academy for the purpose of developing human resources that will become core personnel of technical-related workplaces |
| September 2008 | A subsidiary in the North American region acquired and reorganized five plants of Trim Masters, Inc. with the aim of establishing an efficient system for business operations in the Americas region |
| October 2008 | Acquired Sieto Plant from FAURECIA S.A., a French automobile seat manufacturer, and established TOYOTA BOSHOKU SOMAIN S.A.S. (currently a consolidated subsidiary) |
| October 2008 | Spun off the Research and Development Department as an independent organization to establish Toyota Boshoku Research Laboratories |
| August 2009 | Established Fuji Susono Plant to streamline production and build an optimal supply system in domestic plants |
| May 2010 | Established the No.2 building of Sanage Technical Center to consolidate and fortify development functions for automotive interior systems |
| July 2011 | Acquired the interior business of POLYTEC Holding AG to strengthen interior technological capabilities and realize business with European car manufacturers |
| December 2012 | Started production of motor core components for hybrid systems |
| July 2013 | Started production of railway seats utilized in the Hokuriku Bullet Train “Gran Class” car |
| April 2015 | Started production of aircraft seats for economy class on domestic flights, which were jointly developed with ALL NIPPON AIRWAYS CO., LTD. |
| November 2015 | Acquired the business for automotive seat frame mechanism components such as recliners and slide rails for Toyota Motor Corporation and the Company that had been owned by Aisin Seiki Co., Ltd. (currently AISIN CORPORATION) and Shiroki Corporation (currently AISIN SHIROKI CORPORATION) |
| June 2016 | Through reorganization of the Europe business, all the shares of Boshoku Automotive Europe GmbH, Boshoku Automotive Poland Sp. Z o.o., and Boshoku Automotive Czech s. r. o. and part of business operations of the Munich Branch of TOYOTA BOSHOKU EUROPE N.V. were transferred to Megatech Industries AG |
| January 2018 | Marked the 100th anniversary of the Company’s founding |
| November 2019 | Established MONOZUKURI Innovation Centre in order to build next-generation production lines that utilize AI technology and automation technology, and to promote the streamlining and enhancement of product manufacturing |
| August 2020 | Established the New Main Building of the Global Mainstay Hub in Kariya Japan in order to consolidate the corporate functions and strengthen the global management base |
| April 2022 | The Company’s stock that had been listed on the First Section of the Tokyo Stock Exchange was transferred to the Prime Market due to a restructuring of the market segments of the Tokyo Stock Exchange |

## Information on subsidiaries and associates

| Company name | Location | Share capital | Principal business | Percentage of voting rights of the Company (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Con-current service by officers, etc. | Loan of funds | Business transactions | Lease of facilities |
| (Consolidated subsidiaries) | | | | | | | | |
| TOYOTA BOSHOKU TOHOKU CORPORATION (Note 3) | Kitakami-shi, Iwate | JPY million 1,667 | Auto parts | 100.0 | None | None | Purchase of TOYOTA BOSHOKU TOHOKU CORPORATION's products | Yes |
| COWERK CO., LTD. (Note 3) | Kariya-shi, Aichi | JPY million 97 | Auto parts | 52.0 | Yes | None | Purchase of COWERK CO., LTD.'s products | Yes |
| TOYOTA BOSHOKU KYUSHU CORPORATION (Note 3) | Kanzaki-shi, Saga | JPY million 480 | Auto parts | 100.0 | Yes | None | Purchase of TOYOTA BOSHOKU KYUSHU CORPORATION's products | Yes |
| TOYOTA BOSHOKU SEIKO CORPORATION (Note 3) | Takahama-shi Aichi | JPY million 869 | Auto parts | 66.4 | Yes | Yes | Purchase of TOYOTA BOSHOKU SEIKO CORPORATION's products | Yes |
| SEAT METAL PARTS CHINA CO., LTD (Notes 2, 3) | Zhejiang, China | CNY thousand 45,000 | Auto parts | 90.0 (90.0) | None | None | Sales of the Company's products | None |
| TB LOGISTICS CORPORATION | Toyota-shi, Aichi | JPY million 50 | Transportation business | 100.0 | Yes | None | Transportation services for the Company's products | Yes |
| TOYOTA BOSHOKU AMERICA, INC. (Notes 3, 4) | Kentucky, U.S.A. | USD thousand 539,742 | Auto parts | 100.0 | Yes | Yes | Contracting of design work | None |
| TOYOTA BOSHOKU JACKSON TENNESSEE COMPANY, LLC (Notes 2, 3) | Tennessee, U.S.A. | USD thousand 22,000 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU TENNESSEE, LLC (Notes 2, 3) | Tennessee, U.S.A. | USD thousand 50,000 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU KENTUCKY, LLC (Notes 2, 3) | Kentucky, U.S.A. | USD thousand 29,989 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU ARGENTINA S.R.L. (Notes 2, 3) | Buenos Aires, Argentina | ARS thousand 519,149 | Auto parts | 95.0 (95.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU CANADA, INC. (Notes 2, 3) | Ontario, Canada | USD thousand 29,000 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |

| Company name | Location | Share capital | Principal business | Percentage of voting rights of the Company (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Con-current service by officers, etc. | Loan of funds | Business transactions | Lease of facilities |
| TOYOTA BOSHOKU MISSISSIPPI, LLC (Notes 2, 3) | Mississippi, U.S.A. | USD thousand 49,000 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU DO BRASIL LTDA. (Notes 2, 3) | Sao Paulo, Brazil | BRL thousand 245,318 | Auto parts | 100.0 (0.1) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU INDIANA, LLC (Notes 2, 3) | Indiana, U.S.A. | USD thousand 115,000 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU ILLINOIS, LLC (Notes 2, 3) | Illinois, U.S.A. | USD thousand 57,400 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU WESTERN KENTUCKY, LLC.(Notes 2, 3) | Kentucky, U.S.A. | USD thousand 134,800 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU (CHINA) CO., LTD. (Note 3) | Shanghai, China | USD thousand 133,498 | Auto parts | 100.0 | Yes | None | Contracting of design work | None |
| CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3) | Chengdu, Sichuan Province, China | USD thousand 15,560 | Auto parts | 53.0 (53.0) | None | None | Sales of the Company's products | None |
| NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3) | Ningbo, Zhejiang Province, China | USD thousand 8,200 | Auto parts | 80.0 (40.0) | Yes | None | Purchase of NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.'s products | None |
| TIANJIN INTEX AUTO PARTS CO., LTD. (Notes 2, 3) | Tianjin, China | USD thousand 24,500 | Auto parts | 75.0 (75.0) | Yes | None | Sales of the Company's products | None |
| TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Note 3) | Tianjin, China | USD thousand 11,800 | Auto parts | 100.0 | Yes | None | Sales of the Company's products | None |
| GUANGZHOU INTEX AUTO PARTS CO., LTD. (Notes 2, 3) | Guangzhou, Guangdong Province, China | USD thousand 22,500 | Auto parts | 75.0 (75.0) | Yes | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3) | Guangzhou, Guangdong Province, China | USD thousand 20,000 | Auto parts | 100.0 (100.0) | Yes | None | Sales of the Company's products | None |

| Company name | Location | Share capital | Principal business | Percentage of voting rights of the Company (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Con-current service by officers, etc. | Loan of funds | Business transactions | Lease of facilities |
| TOYOTA BOSHOKU FOSHAN CO., LTD. (Note 3) | Foshan, Guangdong Province, China | USD thousand 9,600 | Auto parts | 100.0 | Yes | None | Sales of the Company's products Purchase of TOYOTA BOSHOKU FOSHAN CO., LTD.'s products | None |
| TOYOTA BOSHOKU (TIANJIN) AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3) | Tianjin, China | USD thousand 16,500 | Auto parts | 100.0 (100.0) | Yes | None | Sales of the Company's products | None |
| SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3) | Shenyang, Liaoning Province, China | CNY thousand 510,000 | Auto parts | 100.0 (100.0) | Yes | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU ASIA CO., LTD. (Note 3) | Bangkok, Thailand | THB thousand 744,630 | Auto parts | 100.0 | None | None | Contracting of design work | None |
| SHIN SAN SHING CO., LTD. (Notes 2, 3) | Hsinchu, Taiwan | TWD thousand 330,000 | Auto parts | 47.0 [3.8] | None | None | Sales of the Company's products | None |
| PT. TOYOTA BOSHOKU INDONESIA (Note 3) | Jawa Barat, Indonesia | USD thousand 13,750 | Auto parts | 81.8 | None | None | Sales of the Company's products Purchase of PT. TOYOTA BOSHOKU INDONESIA's products | None |
| TOYOTA BOSHOKU PHILIPPINES CORPORATION (Note 3) | Laguna, the Philippines | PHP thousand 377,000 | Auto parts | 95.0 | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. (Notes 2, 3) | Chachoeng-sao, Thailand | THB thousand 250,000 | Auto parts | 80.0 (30.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED (Notes 2, 3) | Karnataka, India | INR thousand 795,285 | Auto parts | 95.0 (25.0) | None | None | Sales of the Company's products | None |
| TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD. (Notes 2, 3) | Rayong, Thailand | THB thousand 300,000 | Auto parts | 80.0 (80.0) | None | None | Sales of the Company's products | None |

| Company name | Location | Share capital | Principal business | Percentage of voting rights of the Company (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Con-current service by officers, etc. | Loan of funds | Business transactions | Lease of facilities |
| TOYOTA BOSHOKU SIAM METAL CO., LTD. (Notes 2, 3) | Chonburi, Thailand | THB thousand 350,000 | Auto parts | 87.1 (87.1) | None | None | Sales of the Company’s products | None |
| TOYOTA BOSHOKU HAIPHONG CO., LTD. (Note 3) | Haiphong, Vietnam | USD thousand 9,100 | Auto parts | 100.0 | None | None | Sales of the Company’s products | None |
| PT. TOYOTA BOSHOKU DEVICE INDONESIA (Notes 2,3) | Jawa Barat, Indonesia | USD thousand 29,900 | Auto parts | 80.0 (80.0) | None | None | Sales of the Company’s products | None |
| BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD. (Notes 2, 3) | Rayong, Thailand | THB thousand 331,000 | Auto parts | 90.0 (90.0) | None | None | None | None |
| TOYOTA BOSHOKU DEVICE INDIA PRIVATE LIMITED (Note 2) | Haryana India | INR thousand 462 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company’s products | None |
| TOYOTA BOSHOKU EUROPE N.V. (Note 3) | Zaventem, Belgium | EUR thousand 436,134 | Auto parts | 100.0 | None | None | Contracting of design work | None |
| TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S. (Notes 2, 3) | Adapazari, Turkey | TRY thousand 25,696 | Auto parts | 90.0 (90.0) | None | None | Sales of the Company’s products | None |
| TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD. (Notes 2, 3) | Kwazulu-Natal, South Africa | ZAR thousand 225,750 | Auto parts | 85.0 (85.0) | None | None | Sales of the Company’s products | None |
| TOYOTA BOSHOKU SOMAIN S.A.S. (Notes 2) | Zone Industrielle de la Renaissance, France | EUR thousand 2,698 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company’s products | None |
| TOYOTA BOSHOKU POLAND SP. Z O.O. (Notes 2, 3) | Lower Silesian Voivode-ship, Poland | PLN thousand 56,263 | Auto parts | 100.0 (100.0) | None | None | Sales of the Company’s products | None |
| 25 other companies | | | | | | | | |

| Company name | Location | Share capital | Principal business | Percentage of voting rights of the Company (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Con-current service by officers, etc. | Loan of funds | Business transactions | Lease of facilities |
| (Associates accounted for using equity method) | | | | | | | | |
| TOKAI CHEMICAL INDUSTRIES, LTD. | Mitake-cho, Kani-gun, Gifu | JPY million 100 | Auto parts | 20.0 | None | None | Purchase of TOKAI CHEMICAL INDUSTRIES, LTD.'s products | None |
| AUNDE Boshoku Co., LTD. | Aisho-cho, Echi-gun, Shiga | JPY million 490 | Auto parts | 20.0 | None | Yes | Purchase of AUNDE Boshoku Co., LTD.'s products | Yes |
| TOYOTA BOSHOKU AKI USA, LLC (Note 2) | Alabama, U.S.A. | USD thousand 60,000 | Auto parts | 50.0 (50.0) | Yes | None | None | None |
| QINGDAO INJELIC MOULD CO., LTD. (Note 2) | Shandong Province Qingdao China | CNY thousand 87,500 | Auto parts | 20.0 (20.0) | Yes | None | None | None |
| 16 other companies | | | | | | | | |

(Notes) 1.The name of business division is shown in the "Principal business" field.

2. In the "Percentage of voting rights of the Company" field, the figures shown in parentheses, included in the figures directly above, represent the indirect ownership ratio, and the figures shown in square brackets, not included in the figures directly above, represent the ownership ratio of close persons, etc.

3. Companies indicated are specified subsidiaries.

4. Revenue of TOYOTA BOSHOKU AMERICA, INC. accounts for more than 10% of consolidated revenue (excluding inter-segment revenue between consolidated companies).

| | | | |
|---|---|---|---|
| Key Financial Data | (1) | Revenue | 513,360 million yen |
| | (2) | Loss before income taxes | 12,439 million yen |
| | (3) | Loss for the period | 12,933 million yen |
| | (4) | Total equity | 43,264 million yen |
| | (5) | Total assets | 299,424 million yen |

5. As Toyota Motor Corporation is treated as an "other affiliated company" and its information is stated under "Related party transactions," its information is not stated here. In addition, Toyota Motor Corporation files an annual securities report.

**Management policy, management environment and issues to be addressed**

This section contains forward-looking statements, which are based on the group's judgments as of the end of the current fiscal year.

(1) Management policy

The Group sets the following management policies as "Basic Principles".

| | |
|---|---|
| 1. Society | The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen:<br>1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;<br>2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment;<br>3) Create a better society as a member of our local communities |
| 2. Customers | The Company will develop innovative technologies and products to deliver quality that satisfies our customers. |
| 3. Shareholders | The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders. |
| 4. Employees | The Company will build and maintain positive labor-management relations, respect the individuality of its employees and create safe and comfortable workplaces. |
| 5. Business partners | The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity. |

(2) Management environment and issues to be addressed

In order to continue our sustainable growth, we will promote the following initiatives.

(i) We will work to enhance our planning & proposals and R&D capabilities in order to become an Interior Space Creator:

1) Establish systems and processes to accurately identify customer needs in order to realize comprehensive mobility space planning;

2) Strengthen our planning capabilities for interior design and packaging that address customer needs;

3) Insource advanced technologies (sound, thermal, and lighting technologies);

4) Improve development efficiency and fundamentally reform cost planning methodologies

(ii) We aim to secure MONOZUKURI competitiveness that wins us customer trust and patronage:

1) Ensure that safety and quality remain the highest priorities throughout the supply chain;

2) Improve productivity through the thorough elimination of waste and the promotion of manufacturing process reforms;

3) Accelerate automation, including among suppliers

(iii) In order to win the patronage of customers around the world, we will work to strengthen our sales capability:

1) Continuously capture market and customer information through enhanced marketing capability;

2) Capture diverse business opportunities, including new customers and new business domains;

3) Strengthen the sales foundation for key customers and priority regions

(iv) We will work to strengthen the management foundation that supports the implementation of i) through iii) above across the board:

1) Create a comfortable work environment centered on health and well-being;

2) Promote appropriate personnel placement through the utilization of the human resource portfolio;

3) Achieve fundamental improvements in operational efficiency through the use of AI;

4) Establish a resource circulation foundation for the realization of a circular economy;

5) Enhance earning power in priority regions

Our 2030 target is to become a company, as the Interior Space Creator, which realizes comfortable mobility interior spaces and contributes to solving social issues while expanding our product range and customer base. Through the practice of CSV management*, we aim to enhance both economic and social value and become a company that continues to be needed by society.

* CSV (Creating Shared Value) management: A management approach that addresses social issues through core business activities, aiming to achieve both economic and social value.

**Approach to Sustainability and our initiatives**

The group's sustainability approaches and initiatives are as follows.

This section contains forward-looking statements, which are based on the group's judgments as of the end of the current fiscal year.

(1) Sustainability

[Strategy]

Based on the Principles of Toyoda, which bring together the ideas of our founder Sakichi Toyoda, the Toyota Boshoku group has established its Corporate Philosophy and is steadily implementing this in our business activities in order to continue to earn the trust of all stakeholders.

We are striving to enhance our economic value through the pursuit of sustainable growth and to return the results to our stakeholders. We are also striving to enhance our corporate value over the medium and long term by investing in sustainable growth, thereby meeting the expectations of our stakeholders and contributing to the development of the international and local communities.

We are already actively involved in CSR activities and have contributed to the achievement of the SDGs. In line with changes in society, since March 2019 we have been accelerating the shift from CSR to CSV management. In July 2020, we defined as our materiality the identification of important issues to be addressed through our group's operations from among a variety of social issues and the approach we adopt to resolve them.

Furthermore, in order to clarify the concept of CSV management, we reviewed the concept of CSR and, formulated the Toyota Boshoku Group Sustainability Policy with the approval of the Board of Directors in November 2021.

We have also formulated and shared the TB Way and the Toyota Boshoku Group Code of Conduct as common values and patterns of behavior on a global scale in order to put our Corporate Philosophy into practice.

**Toyota Boshoku Group Sustainability Policy**

The Toyota Boshoku group's Sustainability Policy is composed of the "Management Concept," "Materiality," and "The management structure we aim to become."

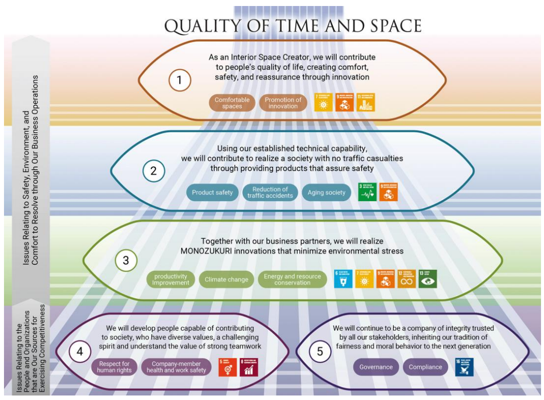
**1. Management Concept**

The Toyota Boshoku Group has established Materiality based on the Principles of Toyoda* and contributes to society through its core business activities.

*Toyota Boshoku's company belief, which stipulates the founding spirit of Sakichi Toyoda, "for the world and for people," as our daily motto

**2. Materiality**

As an Interior Space Creator, we will create comfort, safety, and reassurance and contribute to people's quality of life and a society with no traffic casualties. We will also take on the challenge of using renewable energy and realizing carbon neutrality in the circular economy.




**3. The management structure we aim to become**

We will contribute to social value as a good corporate citizen and improve economic value through efforts to strengthen our competitiveness and management foundation. Through these, we will strive to increase the corporate value by meeting expectations of our stakeholders and pursuing sustainable growth.

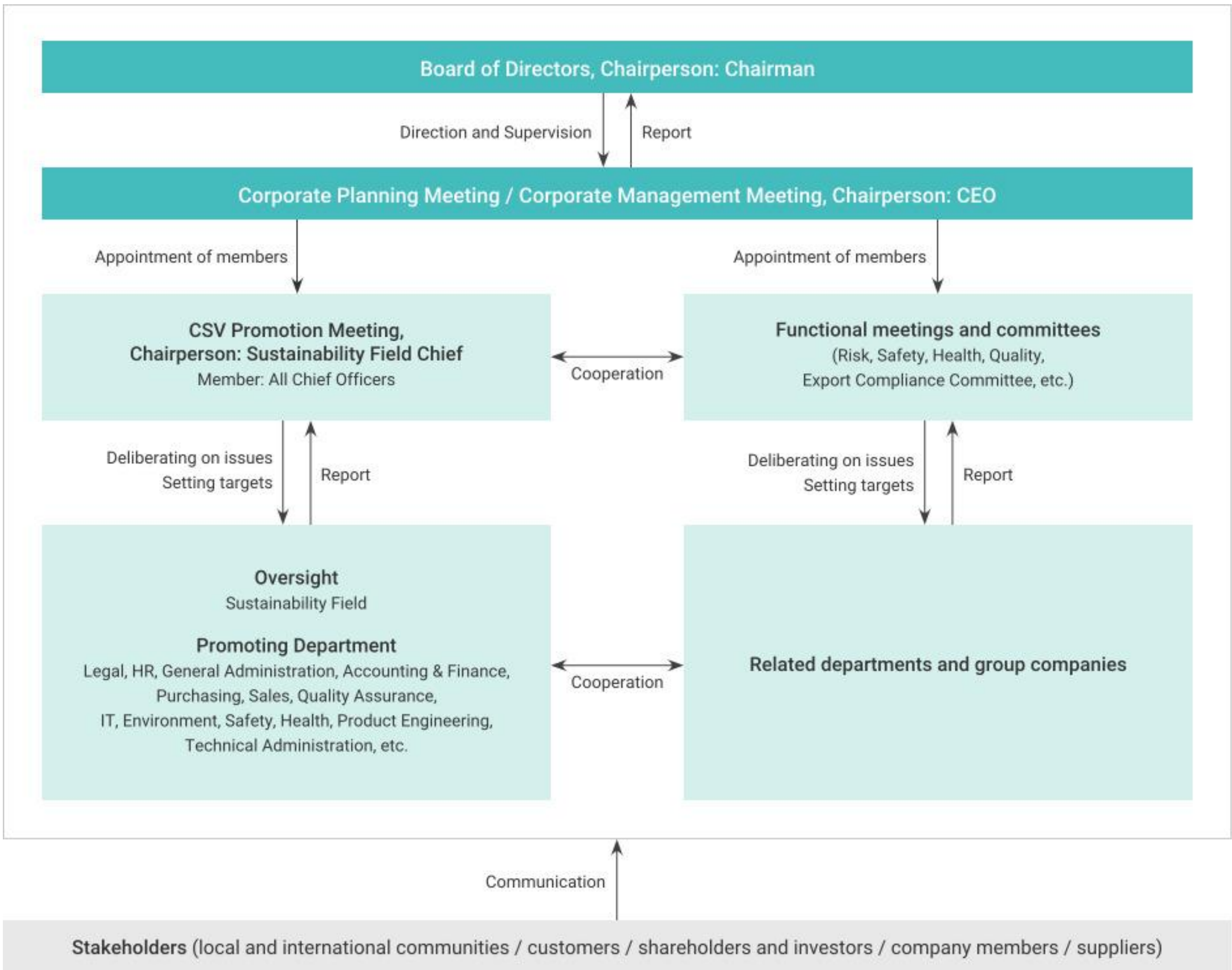
[Governance]

The CSV Promotion Meeting (chaired by the Sustainability Field Cheif) reports and deliberates on issues and the direction to take in order to enhance corporate value, establishes goals and monitors progress in implementing them.

All chief officers responsible for ESG KPIs, which are organized from an ESG perspective and measure progress on materiality, attend the CSV Promotion Meeting to monitor ESG KPIs. Through these activities, we accurately assess the degree to which materiality has been achieved, and we implement the PDCA cycle, as necessary, to get back on track. In addition, the details reported and deliberated on at the CSV Promotion Meeting are reported to the Board of Directors.

Cooperating with each function and related divisions, we promote initiatives to contribute to social value of the Toyota Boshoku group as a whole through daily activities.

Structural Chart




Report

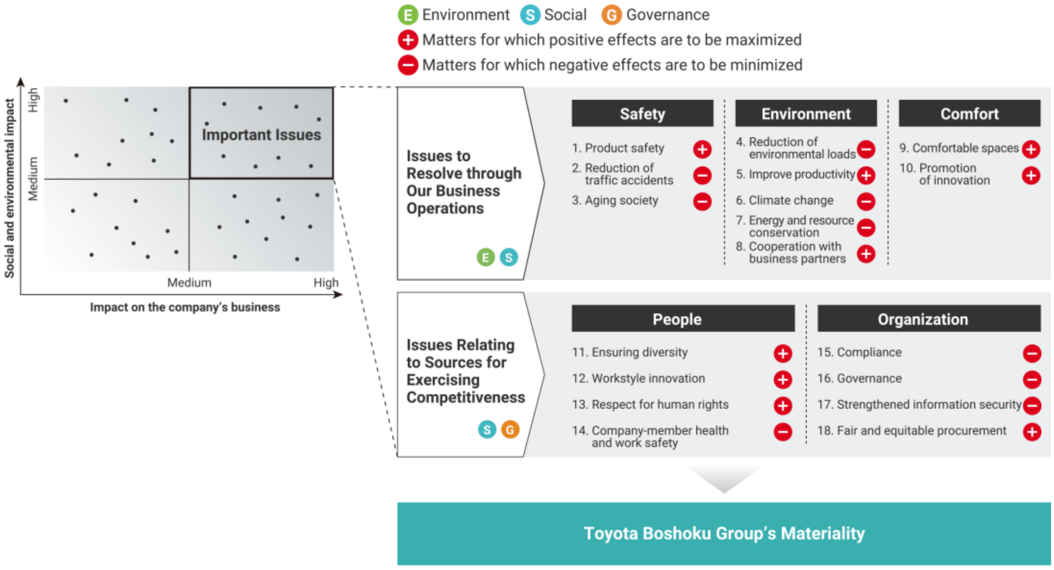
Report

[Risk management]

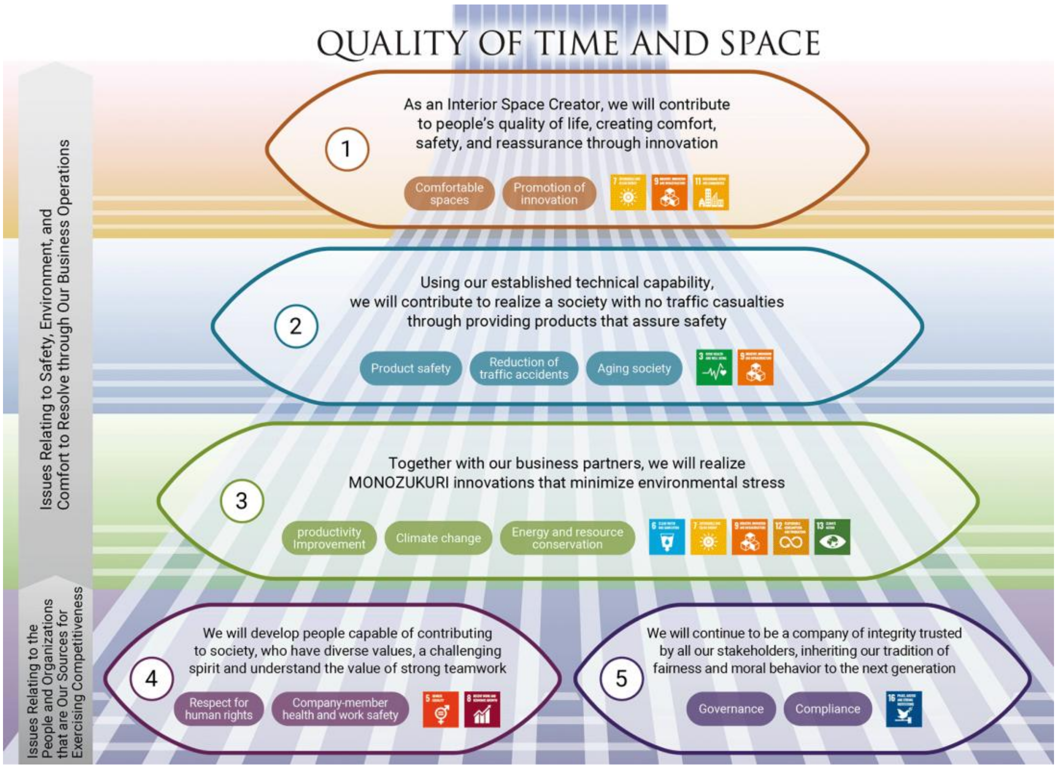
From April 2019 to July 2020, we made a company-wide effort to identify important issues and formulated our materiality.

The important issues identified were classified into those that "Matters for which positive effects are to be maximized," which enrich people and their lives, and those that "Matters for which negative effects are to be minimized," which avoid risk. They were then organized into "Issues Relating to Safety, Environment, and Comfort to Resolve through Our Business Operations," and "Issues Relating to the People and Organizations that are Our Sources for Exercising Competitiveness." The materiality of the Toyota Boshoku group was determined by adding the approach we adopt to resolve each issue.

Plotting of social issues and extraction of important issues




The materiality of the Toyota Boshoku group



[Indicators and targets]

In December 2021, we established ESG KPIs, non-financial KPIs to measure social value. In October 2023, we reviewed these ESG KPIs in conjunction with the formulation of our 2030 Mid-term Business Plan.

By advancing initiatives to realize our materiality while measuring progress using the ESG KPIs, we aim to enhance corporate value and meet the expectations of our stakeholders.

The ESG KPIs are monitored by the CSV Promotion Meeting, chaired by the Sustainability Field Chief.

Approach to formulation of ESG KPIs

1. Organize from an ESG standpoint
2. In line with the Toyota Boshoku Group Sustainability Policy
3. Progress toward materiality can be measured
4. In line with the Corporate Governance Code
5. Responds to the demands of society

| No. (*) | Materiality | KPIs | FY2026 targets (Year ended March 31, 2026) | FY2026 results (Year ended March 31, 2026) | Target |
|---|---|---|---|---|---|
| | | | | | FY2031 (Year ended March 31, 2031) |
| 1 | (iii) | Plant GHG emissions reduction ratio (total volume) (compared to FY2020) | -25% | -49% | -50% |
| 2 | (iii) | Ratio of reduction in Scope 3 emissions (total volume) (compared to FY2020) | -18% | Under calculation | -30% |
| 3 | (iii) | Renewable energy installation ratio | 35% | 46% | 50% |
| 4 | (iii) | Waste emissions reduction ratio (compared to FY2012) | -14% | -14% | FY2020 level or less |
| 5 | (iii) | Water withdrawal reduction ratio (compared to FY2014) | -6% | -52% | -34% (compared to FY2020) |
| 6 | (i) (iii) | Ratio of recycled materials applied to products | Completion of recycled resin development | Completion of recycled resin development | 25% or more |
| 7 | (iii) | Symbiosis with nature (number of trees planted) | Cumulative 640k | Cumulative 830k | Cumulative 900k |
| 8 | (iii) (iv) | Number of "people-friendly" autonomation items implemented<br>(1) Implementation rate on mass production<br>(2) Achievement rate of processing cost reduction target | (1) 100%<br>(2) 100% | (1) 100%<br>(2) 89% | (1) 100%<br>(2) 100% |
| 9 | (v) | Implementation of Supplier Satisfaction Survey | Expansion ratio 100% | Expansion ratio 100% | Expansion ratio 100% |
| 10 | (v) | Number of participants in social contribution activities (annual) | Total 3,100 | Total 3,240 | Total 3,500 |
| 11 | (iv) | Ratio of female managers | 4.0% | 3.3% | 5.0% |
| 12 | (iv) | Ratio of men taking childcare leave | 90% (100% applicant take-up) | 74% (100% applicant take-up) | 90% (100% applicant take-up) |
| 13 | (iv) | Number of non-Japanese company members | 135 | 194 | 180 |
| 14 | (i) | Ratio of new product development leading to Interior Space Creator | 15% | 15% | 30% |
| 15 | (i) (ii) | Number of patent applications | 320/year | 490/year | 500/year |
| 16 | (i) (ii) | Number of external presentations and papers | 90/year | 97/year | 120/year |
| 17 | (iv) | Ratio of those who have an exercise habit (40 years and older) | 24% | 22.1% | 30% |
| 18 | (iv) | Rate of company members receiving thorough medical examinations after general health checkups | 100% | 99.8% | 100% |

| | | | | | |
|---|---|---|---|---|---|
| 19 | (iv) | Number of fatal accidents involving company members | 0 | 0 | 0 |
| 20 | (iii) (v) | Number of fatal accidents involving outside contractors and visitors | 0 | 0 | 0 |
| 21 | (v) | Implementation of continuous tax payments to the state and regions | Tax payment made in all countries where the group operates | Tax payment made in all countries where the group operates | Tax payment made in all countries where the group operates |
| 22 | (v) | Degree of implementation of the Toyota Boshoku Group Guiding Principles | 90% | 95% | 90% |
| 23 | (iii) (v) | Number of environmental abnormalities and complaints | 0 | 3 | 0 |
| 24 | (v) | Number of serious cyber security incidents | 0 | 0 | 0 |

(*) Of the above KPI results and targets, No. 1, 2, 4, 5, 6, 7, 19, 20, 21, 22, 23, and 24 apply to the global Toyota Boshoku group and No. 3, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, and 18 apply to the non-consolidated Toyota Boshoku Corporation.

## (2) Human Capital

### [Our approach to human capital in sustainability]

As a fundamental principle of our approach to human capital in sustainability, the Toyota Boshoku group regards its people as one of our most important management resources and as a source of sustainable growth.

Amid changes in the business environment surrounding the automotive market and the diversification of customer needs, it is essential to create an environment in which each employee can maximize their capabilities and take the initiative to play an active role in order to continuously enhance corporate value.

To realize our 2030 Target, which is to "become a company, as the Interior Space Creator, which realizes comfortable mobility interior spaces and contributes to solving social issues while expanding our product range and customer base," we position human capital as a key element supporting sustainable value creation. We promote human capital management to enable people with expertise and diverse perspectives to enhance one another's capabilities and continuously create new value.

Employee engagement is regarded as an important indicator for measuring the effectiveness of human resource strategies and the health of the organization, and is used for metrics to measure the effectiveness of human capital management. Our basic approach to human capital is to improve engagement through investment in human capital and thereby contribute to the sustainable enhancement of corporate value.

### [Policy on human resources development and key initiatives]

The Company develops human resources by clarifying the quality and quantity of personnel needed for the execution of our management strategy, based on changes in the medium-term market environment, technological advances, and developments in the competitive landscape. Based on a human resource portfolio formulated in light of our management strategy and future business development, we promote recruitment, development, and placement in an integrated manner while continuously monitoring and reviewing the status of their activities, thereby securing and developing human resources in a timely and efficient manner. In addition, we are optimizing the posts of many Japanese coordinators (non-line managers) seconded overseas to facilitate coordination with the headquarters in Japan, while creating opportunities for those returning from overseas assignments to play an active role in new fields. At the same time, we are systematically promoting the appointment of local personnel to senior posts at business sites in countries outside Japan and at Regional Management & Collaboration Hubs, thereby enhancing our global management structure.

Under these initiatives, we promote the development and appointment of human resources who possess both expertise and diverse perspectives and can demonstrate well-balanced capabilities on a global basis, based on the TB Way competencies, which define the type of people we are looking for. With a view to developing future management resources who will guide the Company, we also implement a global executive training program to cultivate the next generation of management leaders. Furthermore, to support self-directed growth and diverse career development, we provide educational programs designed to cultivate personnel who will lead the creation of new businesses. We create an environment in which each company member can consider their own career and take on challenges in new roles and fields by introducing in-house application systems and an in-house side-job system.

In addition, to enable our human resources to continue demonstrating their capabilities, we conduct KPI-based monitoring and have established mechanisms that support growth and active contribution by providing training and career opportunities beyond an individual's own area of expertise, cultivating digital human resources, and implementing supervisor-subordinate career interviews, thereby strengthening our human resource foundation that supports the sustainable growth of the organization as a whole.

[Policy on workplace environment development and key initiatives]

The Company respects diverse career paths and work styles and positions the development of a workplace environment in which people can thrive by embracing their diversity and leveraging their individual strengths, regardless of nationality, age, gender, or physical or mental disability, as a foundation for sustainable growth and the creation of new value. Believing that diversity provides the foundation for innovation, we seek to enhance organizational creativity and individual employee engagement by fostering an open workplace culture in which everyone can openly and freely express their ideas. As part of our diversity and inclusion activities, we have established five Employee Network Resource Groups (ENRGs) comprising company members with diverse backgrounds and values (women, younger people, non-Japanese company members, seniors, and people with disabilities). Approximately 120 members participate in these groups, ascertaining the real views of company members and engaging in discussions to promote their success.

We are also developing work rules and systems that support flexible, efficient, and creative ways of working, while striving to create a workplace environment in which everyone can work happily and energetically. To support work styles that accommodate diverse life stages, we create an environment that enables greater participation in childcare by developing systems that encourage men to take childcare leave and promoting understanding in the workplace, as part of the enhancement of measures to help company members balance work and family responsibilities.

Furthermore, based on the basic belief that the top priority should be placed on safety and health at work, we promote health management and safety & health management. Through ensuring a safe and secure workplace environment and the maintenance and promotion of company members' physical and mental well-being, we are creating an environment in which each member can maximize their potential. Under the Toyota Boshoku Health Declaration, we have established a promotion system, with the CEO as the person holding chief responsibility, and implements initiatives based on the strategic map for health management. In recognition of these activities, we were certified as an Excellent Enterprise of Health and Productivity Management 2026 (White 500), for the fifth consecutive year.

We position compliance and respect for human rights as important management priorities, and we are developing an internal environment that supports sustainable business activities through sound organizational management that respects diverse cultures and values, going beyond mere compliance with laws and regulations.

As part of these efforts, we have strengthened our harassment prevention activities, and we are creating an ethical workplace with an emphasis on compliance through animation-based training programs.

In addition, in order to respond promptly to risks related to management and risks arising from the external environment, we are actively working to strengthen risk management and reduce risks.

[Indicators related to the relevant policies, and their results and targets]

Based on changes in the management and business environment and our recognition of key human resource issues, the Company has established seven HR strategies as the framework for its human capital management. In promoting these HR strategies, we have established KPIs and enhance the effectiveness of human capital management by continuously monitoring implementation through the PDCA cycle and reviewing and advancing initiatives as necessary. Through such operation, we are building an organizational framework capable of delivering flexible and sustainable results even in a rapidly changing business environment.

* For further details on our human capital initiatives and KPIs, please refer to the Human Capital Report.
https://www.toyota-boshoku.com/_assets/dl/company/library/human_capital_2025_en.pdf

Overview of human resource strategy

<table>
<tr><th>Changes in the management/business environment</th><th>Priority issue awareness related to HR</th><th>HR strategies</th><th>Major initiatives</th><th>Indicators</th></tr>
<tr><td rowspan="4">Expansion of global business/new value areas</td><td rowspan="4">・ Securing and training human resources with diverse expertise and advanced skills necessary to expand new value areas<br>・ Expand the roles and contributions of local human resources at overseas offices<br>・ Shift resources to new areas, leveraging existing human resource strengths</td><td rowspan="4">(1), (2), (3)<br>Clearly identify essential human resources and secure, train and assign talent in a planned fashion based on a human resource portfolio</td><td rowspan="4">・ Promotion of training and appointment of local employees to management positions in countries other than Japan<br>・ Recruitment and promotion of foreign and global human resources<br>・ Planned recruitment of persons with disabilities and promotion of their active participation through expansion of job fields<br>・ Reskilling and assignment aimed at improving expertise<br>・ Development of global executives</td><td>Percentage of local company members in positions such as presidents of sites outside Japan</td></tr>
<tr><td>Number of foreign employees *1</td></tr>
<tr><td>Number of employees with disabilities</td></tr>
<tr><td>Employment ratio of persons with disabilities</td></tr>
<tr><td rowspan="5">Diversification of workstyles and values</td><td rowspan="5">・ Create an environment where each individual can proactively demonstrate his or her talent, placing emphasis on diversified workstyles and values</td><td rowspan="5">(4), (5)<br>Realization of HR management that enhances both motivation and growth opportunities, and promotion of D&I</td><td rowspan="5">・ Optimization of evaluation and treatment systems<br>・ Promotion of workstyle innovation<br>・ D&I initiatives</td><td>Number of women in management positions</td></tr>
<tr><td>Ratio of women in management positions *2</td></tr>
<tr><td>Number of men taking childcare leave</td></tr>
<tr><td>Ratio of men taking childcare leave (Acquisition rate of applicants )</td></tr>
<tr><td>Employee engagement</td></tr>
</table>

| Indicators | Unit | 2024 | 2025 | 2026 | 2031 |
|---|---|---|---|---|---|
| Percentage of local company members in positions such as presidents of sites outside Japan | % | 29.2 | 29.5 | 31.0 | 80.0 |
| Number of foreign employees *1 | persons | 100 | 153 | 194 | 180 |
| Number of employees with disabilities | persons | 166 | 168 | 175 | – |
| Employment ratio of persons with disabilities | % | 2.54 | 2.46 | 2.55 | 2.8 |
| Number of women in management positions | persons | 35 | 40 | 52 | 65 |
| Ratio of women in management positions *2 | % | 2.7 | 2.6 | 3.3 | 5.0 |
| Number of men taking childcare leave | persons | 145 | 146 | 202 | – |
| Ratio of men taking childcare leave (Acquisition rate of applicants) | % | 67 (96) | 69 (99) | 74 (100) | 90 (100) |
| Employee engagement | % | – | 51 | 54 | 60 |

1. Number of full-time employees and ICT (Intra Company Transferee)
2. In accordance with the revision of the reemployment system in FY2025, reemployed staff (those in management positions) are included in the calculation from FY2025 onward as reemployed staff maintain their pre-retirement job grades (they were not included in or before FY2024).

### (3) Response to the TCFD

Toyota Boshoku group is working as one team to contribute to global environment protection for the realization of a sustainable society, based on our Corporate Philosophy to “Promote corporate activities that help protect the global environment.”

We formulated the 2050 Environmental Vision in FY2017 and identified our Materiality (important issue to be resolved through our business operations) of “Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress” in FY2021 in order to promote environmental initiatives. In response to evolving social trends, we revised a part of the 2050 Environmental Vision in FY2024.

In April 2020, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). By extensively analyzing the impact of climate change on our business and the risks and opportunities that result from it based on scenarios, we are reviewing the applicable costs required and reflecting countermeasures in our management strategy. Based on the results of scenario analysis, we will continue to strengthen our response to risks and opportunities and work on further information disclosure.

**[Governance]**

Concrete measures related to climate change and other environmental issues are decided upon by the Board of Directors, and the progress of these measures is reported at such bodies as the Corporate Strategy Meeting, the Corporate Planning Meeting, and the Corporate Management Meeting.

Policies and plans to respond to environmental issues resolved and discussed at the Board of Directors, the Corporate Strategy Meeting, and the Corporate Planning Meeting are shared at the Environmental Promotion Meeting, which is held three times annually, and is connected with implementation planning and progress management for environmental issues affecting the Toyota Boshoku group. Additionally, KPI are created based on implementation planning, and these are reported and subjected to management review at monthly Corporate Management Meetings.

Matters deliberated upon at the Environmental Promotion Meeting are reported to the Board of Directors as needed, whose resolutions and supervision allow such matters to be incorporated into group strategy.

**[Strategy]**

Scenario analysis of climate-related risks and opportunities

(i) Scenario analysis results

We have identified short-term, medium-term, and long-term risks and opportunities based on the 1.5 and 2°C scenario[1] developed by the International Energy Agency (IEA), in which the impact of transition to a low-carbon society is tangible, and the 4°C scenario[2] developed by the Intergovernmental Panel on Climate Change (IPCC), in which the impact of physical risks surfaces. The table below lists the risks and opportunities that are assessed as particularly high.

1 1.5°C scenario: Net Zero Emissions (NZE), in which greenhouse gas (GHG) emissions reach net zero by 2050 (IEA World Energy Outlook 2021); under 2°C scenario: Sustainable Development Scenario (SDS), in which the rise in atmospheric temperature by 2100 is kept to below 2°C (IEA World Energy Outlook 2021)

2 4°C scenario: The Representative Concentration Pathways (RCP) scenario with the highest volume of GHG emissions, where the rise in atmospheric temperature by 2100 is approximately 4°C (RCP 8.5) (IPCC 5th Assessment Report)

- Identified risks and opportunities

  In our assessment of financial impact, we identified important risks and opportunities as events whose respective scores, when multiplied together, produce a value of 6 or higher, using four levels of "likelihood of occurrence," and three levels of "business impact."

| | Causes | Risk impact level | Business impact | Likelihood of occurrence Low (0,1,2,3) High | Business impact Small (1,2,3) Large |
|---|---|---|---|---|---|
| Transition risks (1.5 and 2°C) | Enhancement of climate change policies, including carbon pricing | Procurement | • Increase in procurement costs by introducing carbon prices, etc. | 3 | 2 |
| | | | • Increase in operating costs due to the direct impact of the introduction of carbon prices or its indirect impact on energy prices | 3 | 3 |
| | | Direct operations | • Increase in cost due to investment in energy saving and renewable energy for decarbonization | 3 | 3 |
| | Enhancement of efforts to promote vehicle electrification | Product demand | • Expansion of business in new fields through collaboration between Toyota group companies | 3 | 2 |
| | | | • Increase in demand for electrified products | 3 | 3 |
| | Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.) | | • Decrease in sales due to lower demand for products with insufficient low-carbon technology | 3 | 3 |
| | | | • Increase in sales by developing low-carbon products | 3 | 3 |
| | | | • Expansion of demand for plant-derived products and lightweight products | 3 | 3 |
| | | | • Enhancement of competitiveness by developing technology to improve recyclability | 3 | 3 |
| Physical risks (4°C) | Worsening of extreme weather, including heavy rain and subsequent flooding | Procurement | • Decrease in sales due to the impact of supply chain disruption on production | 3 | 2 |
| | | Direct operations | • Decrease in sales due to factory shutdown | 3 | 2 |

- Impact assessment and results

  We compiled the actions to address the identified risks and opportunities, and their single-year costs.

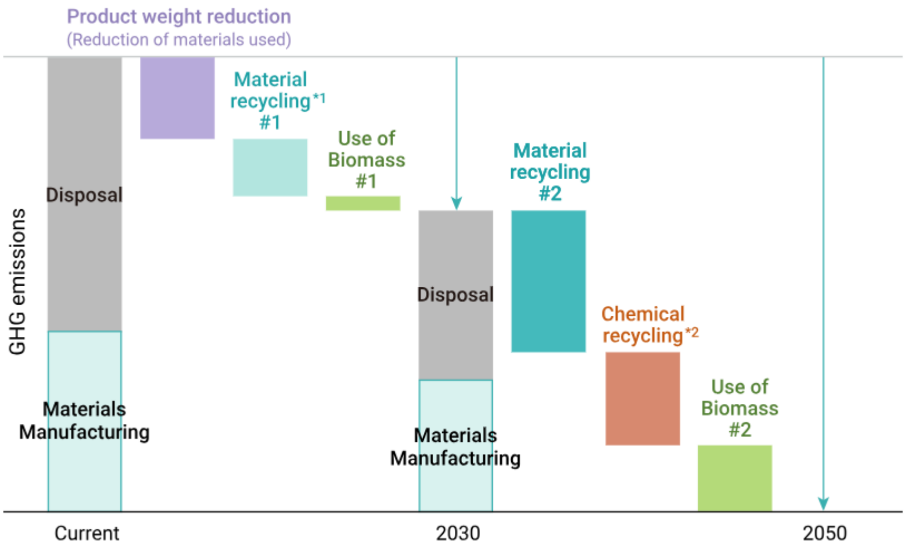
| | Causes | Risks / Opportunities | Assessment | Actions | Response Cost (FY2026) |
|---|---|---|---|---|---|
| **Transition risks (1.5 and 2°C)** | Enhancement of climate change policies, including carbon pricing | • Increase in procurement costs by introducing carbon prices, etc. | Risk | • Survey of suppliers (GHG emissions, efforts to reduce GHG emissions, etc.) Promotion of activities for setting GHG emission reduction targets<br>• Support for suppliers (Sharing of energy saving cases, joint development of new materials and new methods, joint purchase of renewable energy, etc.) | — |
| | | • Increase in operating costs due to the direct impact of the introduction of carbon prices or its indirect impact on energy prices | Risk | • Introduction of highly efficient equipment to promote further energy saving and promotion of the development of new methods<br>• Promotion of the introduction of renewable energy<br>• Optimization of logistics (Reduction of GHG emissions associated with transportation through the promotion of local production for local consumption) | 3.1 billion yen |
| | | • Increase in cost due to investment in energy saving and renewable energy for decarbonization | Risk | • Optimization of investment by introducing ICP (Internal Carbon Pricing) | |
| | Enhancement of efforts to promote vehicle electrification | • Expansion of business in new fields through collaboration between Toyota group companies | Opportunity | • Expansion of new business domains and diversification of provided value | 1.0 billion yen |
| | | • Increase in demand for electrified products | Opportunity | • Further planning and development of electrified products | 2.7 billion yen |
| | Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.) | • Decrease in sales due to lower demand for products with insufficient low-carbon technology | Risk | • Planning and development of products to further reduce carbon emissions<br>• Planning and development of plant-derived products and lightweight products<br>• Improvement of recyclability and promotion of simple disassembly design | 1.8 billion yen |
| | | • Increase in sales by developing low-carbon products<br>• Expansion of demand for plant-derived products and lightweight products<br>• Enhancement of competitiveness by developing technology to improve recyclability | Opportunity | | |
| **Physical risks (4°C)** | Worsening of extreme weather, including heavy rain and subsequent flooding | • Decrease in sales due to the impact of supply chain disruption on production | Risk | • Risk management using a system to manage the range of supplier impact<br>• Selection of logistics routes that minimize the impact of disaster | — |
| | | • Decrease in sales due to factory shutdown | Risk | • Enhancement of the BCP system (Creation of manuals and establishment of an information collection/sharing system) | 0.5 billion yen |

(ii) Priority action

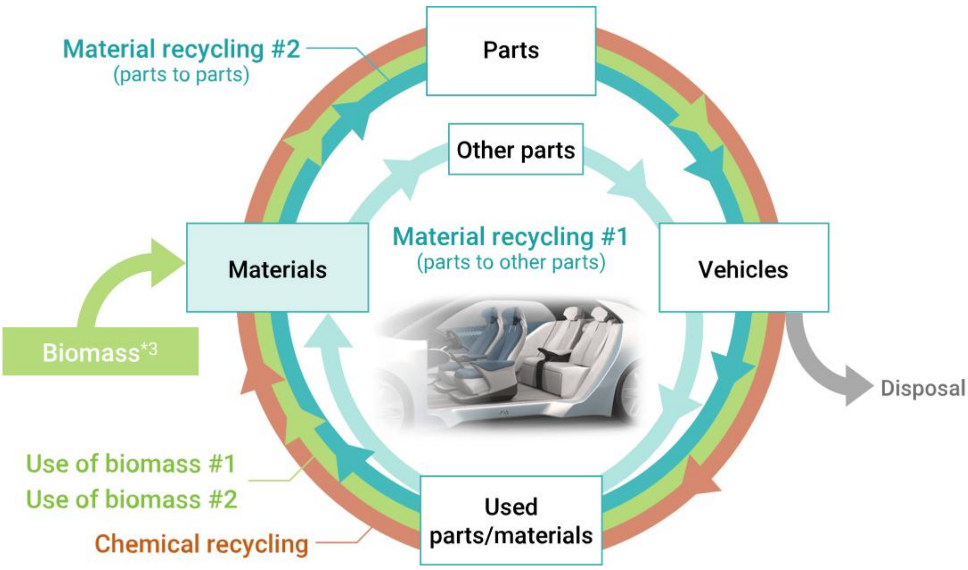
Challenge to Carbon Neutrality through a Circular Economy for Product Materials

The Toyota Boshoku group promotes the reduction of GHG emissions in the product life cycle. In addition to reducing the weight of products, using plant-derived materials (biomass), and developing technologies for electrified products, we will improve the recyclability of products. We will also work to reduce GHG emissions from the materials used in our products toward carbon neutrality.

(1) Measures to reduce GHG emissions from product materials




(2) Initiatives for a circular economy




Challenge to carbon neutrality by 2050 by recycling product materials and using biomass

1 Reusing products as raw materials to produce new products

2 Chemical decomposition of used products and reuse as raw materials for new products

3 A renewable resource of biological origin

**[Risk management]**

The Sustainability Field monitors climate change-related changes in the external or internal environment for the entire Toyota Boshoku group, and identifies risks that could negatively impact our business.

Climate-related risks are selected at the Risk Management Promotion Meeting, with the Chief Human Resources Officer (CHRO), head of the Human Resources & General Administration Segment, acting as chairperson. The Risk Management Promotion Meeting receives reports from various departments, including the Sustainability Field, and discusses climate change-influenced risks of all kinds, such as typhoons and flooding. Judgments are made concerning the relative severity of risks, with consideration made to the relationship between various risks. Finally, climate-related risks which affect the Toyota Boshoku group are selected.

Selected risks are reported to the Board of Directors, under the management of the Chief Risk Officer (CRO) who is also the President.

**[Indicators and targets]**

The Toyota Boshoku group is working to reduce GHG emissions in accordance with the 2050 Environmental Vision.

The 2030 Environmental Action Plan targets a 50% reduction in factory GHG emissions and a 30% reduction in logistics $CO_2$ emissions by 2030 compared to FY2020.

In addition, we aim to reduce factory GHG emissions by 100% from the FY2020 level as our 2035 stretch goal.

Medium- and long-term targets

- 2050 Environmental Vision

  Product life cycle GHG net zero
  Plant GHG net zero

GHG emissions

Targets

Scope 1, 2

- 2035 targets

  100% reduction in GHG emissions versus FY2020
- 2030 targets
- 50% reduction in GHG emissions versus FY2020
- Environmental Action Plan for 2025

  25% reduction in $CO_2$ emissions versus FY2020

Scope 3

・2030 targets

30% reduction in GHG emissions versus FY2020

Results

| Items | FY2026 Results (estimated)[1] (Year ended March 31, 2026) | FY2020 Results (Year ended March 31, 2020) | Reduction rate compared to FY2020 |
|---|---|---|---|
| GHG (scope 1) | 60,460 t-$CO_2$e | 76,444 t-$CO_2$e | 49% reduction |
| GHG (scope 2) | 112,465 t-$CO_2$e | 260,470 t-$CO_2$e | |
| GHG (scope 3) | Calculating[2] | | |

1. A third-party guarantee will be obtained from KPMG AZSA Sustainability Co., Ltd.
2. Calculations are ongoing due to changes in the calculation method for scope 3.
   Scope 3 emissions in FY2026 are disclosed in the ESG data on our website together with a third-party guarantee.
   Reference: Scope 3 emissions in FY2025 were 12,500,541 t-$CO_2$e.

**Business and other risks**

In relation to the matters described in the annual securities report concerning the overview of business or financial information, the management recognizes the following key risks that may have a material impact to the consolidated financial position, financial performance and cash flows of the Group. Forward-looking statements in this report represent the judgment of the Group as of the filing date of Japanese annual securities report (June 9, 2026).

(1) Economic conditions

The Group's businesses encompass the production and sales of products and the provision of services worldwide. Demand for automobile-related products, which make up an important part of that, is vulnerable to the effects of the economic conditions of the countries or regions in which we provide our products and services. Accordingly, an economic recession or a shrinkage in demand for automobiles in the Group's major markets, including Japan, North, Central and South America, China, Asia, and Europe may have an adverse impact on the Group's financial performance and financial position.

Moreover, the Group's businesses may be indirectly affected by the economic conditions of regions in which competitors conduct their production. For example, if a competitor has employed a labor force in the place of production at lower personnel costs and provides the same type of products as the Group provides but at lower prices, then that may have an adverse impact on the sales of the Group. Furthermore, if there is a fall in the local currency of a region where components or raw materials are produced, the cost of production may drop not only for the Group but for other manufacturers as well. If such a trend arises, competition for exports and prices would intensify, which may have an adverse impact on the Group's financial performance and financial position.

(2) Reliance on certain customers

The Group mainly sells various auto parts, notably auto interior parts to Toyota Motor Corporation ("TMC"). For the current fiscal year, the sales to TMC accounted for 23.5% of the Company's revenue. Therefore, the performance of TMC's vehicle sales may have an adverse impact on the Group's financial performance and financial position.

As of March 31, 2026, the ratio of the Company's voting rights held by TMC was 32.4%, which indicates the direct ownership ratio.

(3) Potential risks associated with international activities and overseas operations

The production and sales activities of the Group are conducted in a wide range of markets, including Japan, North, Central and South America, China, Asia, and Europe. Therefore, the deployment of business operations in these regional markets involves various risks such as those listed below due to differences in the various circumstances of the countries.

1) Unforeseen changes to laws and regulations and disadvantageous changes to the tax system

2) Immaturities in public infrastructure that affect business activities

3) Occurrence of disadvantageous circumstances from political or economic causes

4) Risks associated with hiring or securing personnel and labor problems

5) Social turmoil caused by terrorism, war, infectious disease or other factors

(4) Exchange rate fluctuations

The Group's businesses encompass the production and sales of products and the provision of services worldwide. Items denominated in foreign currency including sales, expenses, assets and liabilities in each region are converted into yen to prepare consolidated financial statements. Even if values of these items do not change in the local currency, the exchange rate when converting these items could have an impact on the values of these items after conversion into yen. Generally, the strengthening of the yen against other currencies may have an adverse impact on the Group's financial performance and financial position.

(5) Price competition

The Group faces extremely intensified price competition in the automobile industry.
The Group considers itself as a corporate enterprise that supplies products of superior technology, quality and price to all markets globally, and which is capable of meeting its customers' demands, but the Group has no assurances that it can effectively compete like this in the future as well. That is because a new competitor in a specific product market or regional market in which the Group operates could form a business alliance with existing competitors and rapidly expand their market share. Loss of customers due to price pressure or being unable to effectively compete may have an adverse impact on the Group's financial performance and financial position.

(6) Reliance on suppliers of raw materials and components

The Group's products rely on various raw materials and components from suppliers outside the Group. The Group has concluded basic business contracts with suppliers outside the Group and such stable transactions for raw materials and components are a base for the Group's stable production. However, the Group has no assurances against future securement of raw materials and components, which may arise from a global shortage due to tight supply, an unforeseen accident involving a supplier, or large earthquake, typhoon or flooding caused by abnormal weather, or infectious disease outbreak involving a supplier. Such shortages could have a delay on the Group's production and cause an increase in costs. In addition, a significant increase in the price of electricity, gas and other energy used in the production of raw materials and parts may also increase costs.

(7) Environmental regulations

Guided by its corporate philosophy, the Group considers that part of its fundamental activities and promotion of corporate activities with an emphasis on protection of the global environment, and takes thorough efforts to reduce environmental burdens and to comply with laws and regulations. Specifically, the Group strives to develop products that meet the environmental regulations; to develop processes and technologies that reduce the occurrence of environmentally harmful materials; and to reduce environmentally harmful materials at the production stage.
However, various environmental laws and regulations could also be revised and strengthened in the future. Accordingly, any delays by the Group in responding to such changes could result in restrictions or reductions in product development and product manufacturing, and may have an adverse impact on the Group's financial performance and financial position.
Moreover, if the Group is delayed in its response to various laws and regulations relating to the environment, it could lose trust from countries, municipalities, local residents, and customers, which may have an adverse impact on the Company's reputation and credibility.

(8) Capability to develop new products

The Group makes efforts to develop new products that anticipate the sophisticated and diversifying market needs and earn customer satisfaction in line with one of its corporate philosophies: to develop innovative technologies and products to deliver quality products that satisfy our customers. Going forward, the Group believes it will be able to continue to develop and sell new products. However, the process required to achieve this is complicated and uncertain and involves various risks, including the risks below.

1) The Group has no assurances of adequacy regarding the necessary funds and resources for investment in new products and new technologies going forward.

2) The Group has no assurances that long-term investments and usage of a large amount of resources will lead to successful development of new products or new technologies.

3) The value of the Group's products may sharply drop due to rapid progress in technology or changes in market needs.

4) The Group may be unable to respond to the demands of the market and miss out on earning opportunities due to delays in the commercialization of new technologies currently under development.

(9) Intellectual property rights

The Group accumulates technology and know-how to differentiate its products from those made by other companies and directs efforts toward the protection of that technology and know-how. However, in certain regions it is difficult to completely protect intellectual property or the Group is currently in a situation where there is only limited protection of intellectual property. Therefore, the Group may be unable to prevent a third party from producing a product that is similar to the Group's product by using the Group's intellectual property. In addition, a third party may develop technology that is similar or superior to that of the Group, and the

Group may be unable to prevent a third party from emulating or analyzing and studying the Group's patents and corporate secrets. Moreover, the Group conducts development of products and technologies while being conscientious of the intellectual property rights of third parties. However, in the future, circumstances may arise where the Group is judged to have violated a third party's intellectual property rights.

(10) Product defects

The Group is engaged in initiatives aimed at harnessing its total capabilities to improve quality in line with one of its corporate philosophies: to supply safe products that do not harm the environment and promote corporate activities that help protect the global environment. However, the Group cannot guarantee all its products will be defect-free and that product recalls will not occur in the future.

Moreover, the Group takes out an insurance policy against product liability indemnities. However, the Group has no assurances that the insurance will cover all amounts of indemnities that the Group may ultimately have to bear. Product defects that could lead to large-scale recalls and product liability indemnities could result in significant costs and a decline in our group's reputation, which could adversely affect our group's operating results and financial position due to a decrease in sales.

(11) Large-scale disasters

The Group carries out various measures to minimize the impact on business activities from large-scale disasters, such as by promoting the development of systems for business continuity, creating a safety confirmation system, and carrying out regular training and regular checks and inspections of its production facilities.

However, there is no assurance the Group can completely prevent or lessen the impact of human related or natural disasters and power blackouts occurring at the Group's and its suppliers' production facilities. Specifically, a number of the Group's domestic production facilities and its business partners are located in the Tokai region, and if a large-scale earthquake, a typhoon, flooding from local torrential downpour in this region, such an event may cause delays or stoppages of production or shipment activities. If such delays or stoppages and the turmoil are prolonged, it could have an adverse impact on the Group's financial performance and financial position.

(12) Information security

With regard to cyberattacks, which are becoming increasingly sophisticated and precise, the Group recognizes that illegal intrusions and access to systems by third parties, infections of computer viruses, leakage of confidential information or other cyber security breaches are serious risks, and promotes security measures. The Group believes it is important to also strengthen the operational aspects through awareness campaigns, education and trainings targeting employees, and in addition to strengthening measures to protect systems, efforts are carried out to maintain and enhance trust in the Group by systematically and continuously raising the security awareness of employees. We are working together with our suppliers to strengthen security.

However, cyberattacks or intentional fraudulent acts or negligence could cause information system failure or confidential information leakage to the third parties. Such occurrences could have a stalling effect on the Group's business activities or lower society's trust in the Group, which may have an adverse impact on the Group's financial performance and financial position.

To address the aforementioned and other risks, the Group comprehensively identifies and manages risks through the Risk Management Promotion Meeting and conducts activities to prevent and mitigate potential losses from those risks.

**Management's analysis of financial performance, operating results, and cash flows**

(1) Summary of business results

The following is a summary of the group's financial position, financial performance, and cash flows (hereinafter "business results") for the fiscal year ended March 31, 2026.

1) Financial position and financial performance

■ Business environment

During the fiscal year ended March 31, 2026, signs of recovery were seen in some areas of the global economy, driven in part by the easing of inflation rate despite uncertainties surrounding geopolitical risks and policy trends in various countries. Overall, amid a complex interplay of various factors, the economy maintained generally stable growth, albeit at a moderate pace. At the same time, we must continue to closely monitor changes in the external environment that affect business operations, such as exchange rate fluctuations, trends in energy and resource prices, and rising geopolitical risks.

In the automotive industry, production and sales remained generally stable despite persistently high raw material and logistics costs. While efforts toward carbon neutrality continue, technological innovation centered on BEV[1] and SDV[2] is advancing. Furthermore, against the backdrop of rising geopolitical risks and the trade policies of various countries, changes in the business environment are becoming increasingly apparent, including the ongoing review of supply chains and production systems.

■ Business overview for the fiscal year ended March 31, 2026

a Strengthening the competitiveness in the current situation

Amid high raw material and logistics costs, our company strived to maintain a stable production and supply system by flexibly adapting to fluctuations in automobile production volumes. Building on our long-standing integrated development and production system—which spans from components to finished products—we strengthened collaboration across factories and regions. Additionally, we worked to enhance our manufacturing competitiveness by leveraging TPS[3] and digital transformation (DX) to improve production processes. Furthermore, we continuously implemented cost improvement initiatives through cost planning and the promotion of VA[4], and worked to enhance our competitiveness by strengthening our profitability.

b Initiatives from a medium- to long-term perspective

We are continuing our efforts to realize our vision as outlined in our 2030 Mid-Term Management Plan: "The company that creates comfortable mobility spaces as an 'Interior Space Creator'[5], contributes to solving social issues, and expands its product and customer base." Under an integrated structure combining our product business and technology development divisions, we are strengthening our planning and proposal capabilities with a holistic view of the vehicle interior, thereby accelerating our value-proposal initiatives.

As part of these efforts, we have presented concept proposals and technology demonstrations for mobility spaces at various exhibitions, such as the JAPAN MOBILITY SHOW 2025, focusing not only on comfort and coziness but also on environmental considerations and new experiential value. At the same time, we are continuing to work on the development of materials and technologies that contribute to reducing environmental impact[6], as well as on demonstration with a view to future commercialization[7]. Moving forward, we will continue to aim for sustainable growth and the enhancement of corporate value by creating products, technologies, and services with enhanced value from a medium- to long-term perspective.

1 BEV (Battery Electric Vehicle): Electric Vehicle

2 SDV (Software Defined Vehicle): Cars that continue to evolve even after being manufactured and sold through updates to the software that controls them.

3 TPS (Toyota Production System): Toyota Production System

4 VA (Value Analysis): One of the methods to realize cost reduction through design and process changes without lowering the quality and function of the proposed product.

5 Interior Space Creator: A leading company that can create solutions by designing and proposing seats and interiors as an integrated system, delivering new spatial value that exceeds customer expectations.

6 Research and development of low-cost, high-impact-resistant cellulose structural materials utilizing plant-derived cellulose nanofibers (CNF) obtained from wood and other sources (selected for the New Energy and Industrial Technology Development Organization (NEDO) Leading-Edge Research Program), etc.

7 Road tests of "hydrogen bicycles" equipped with electric assist functions powered by our proprietary compact hydrogen power generation system, the "Hydrogen Power System," and other initiatives.

For the year ended March 31, 2026, revenue increased by 82.8 billion yen or 4.2%, year over year, to 2,037.0 billion yen due to an increased production in North, Central, and South America and the launch of new products in Japan. Operating profit increased by 11.5 billion yen or 27.2%, year over year, to 53.9 billion yen due to the impact of impairment losses recorded in the previous fiscal year, the effects of new products, and global cost reduction, despite the recording of quality-related expenses. Profit before income taxes increased by 14.8 billion yen or 31.5%, year over year, to 61.9 billion yen. Profit attributable to owners of the parent increased by 6.5 billion yen or 39.2%, year over year, to 23.2 billion yen.

For the year ended March 31, 2026, assets increased by 87.5 billion yen to 1,182.3 billion yen due to increases in cash and cash equivalents and property, plant and equipment. Liabilities increased by 48.5 billion yen to 653.3 billion yen. The main factor was an increase in provisions. Equity increased by 39.0 billion yen to 529.0 billion yen. The main factor was an increase in exchange differences on translation of foreign operations.

Segment results are as follows.

Japan

Revenue in Japan increased by 28.7 billion yen or 3.1%, year over year, to 968.0 billion yen due to the launch of new products. Operating profit decreased by 5.0 billion yen or 49.8%, year over year, to 5.1 billion yen due to the recording of quality-related expenses, despite the impact of the previous year's impairment losses, new production accompanying the model change, and cost reduction.

North, Central and South America

Revenue in North, Central and South America increased by 53.2 billion yen or 10.9%, year over year, to 542.3 billion yen due to an increase in production volume and changes in model mix. Operating loss was 9.8 billion yen (26.0 billion yen Operating loss in the same period of the previous fiscal year) due to the impact of tariffs and the recording of quality-related expenses, despite the impact of the previous year's impairment losses and cost reduction.

China

Revenue in China decreased by 17.4 billion yen or 7.5%, year over year, to 216.0 billion yen due to a decrease in production volume. Operating profit decreased by 1.8 billion yen or 10.9%, year over year, to 14.7 billion yen due to the decreased production volume and changes in model mix, despite cost reduction.

Asia

Revenue in Asia increased by 16.0 billion yen or 5.6%, year over year, to 302.2 billion yen due to an increase in production volume and the impact of foreign exchange rates. Operating profit increased by 3.8

billion yen or 10.6%, year over year, to 40.0 billion yen due to cost reduction and the impact of foreign exchange rates, despite an increase in miscellaneous expenses.

Europe and Africa

Revenue in Europe and Africa increased by 5.8 billion yen or 5.0%, year over year, to 124.0 billion yen due to the impact of foreign exchange rates. Operating profit decreased by 1.6 billion yen or 30.6%, year over year, to 3.7 billion yen due to the impact of market fluctuations despite cost reduction and the impact of foreign exchange rates.

2) Explanation of Cash Flow

Cash and cash equivalents as of March 31, 2026 on a consolidated basis increased 28.7 billion yen, 11.5%, to 278.5 billion yen.

The status of each cash flow and their factors during the current fiscal year are as follows.

Net cash provided by operating activities

Net cash provided by operating activities resulted in an increase in cash by 142.9 billion yen as a result of operating activities. This was mainly due to an increase in cash provided by income before tax of 61.9 billion yen and depreciation and amortization of 52.9 billion yen.

Net cash used in investing activities

Net cash used in investing activities resulted in a decrease in cash by 75.4 billion yen as a result of investment activities. This was mainly due to cash outflows of 64.9 billion yen for purchases of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities resulted in a decrease in cash by 48.3 billion yen as a result of financing activities. This was mainly due to a decrease in cash due to the repayment of lease liabilities of 42.7 billion yen and payment of dividends of 15.3 billion yen.

3) Production, Orders and Sales

a. Production

The table below shows production performance by segment in the current fiscal year.

| Segment name | FY2026<br>(April 1, 2025 - March 31, 2026) | Year-on-year change<br>(%) |
|---|---|---|
| Japan (millions of yen) | 913,528 | 4.3 |
| North, Central and South America (millions of yen) | 510,078 | 12.3 |
| China (millions of yen) | 198,583 | (5.3) |
| Asia (millions of yen) | 270,347 | 5.5 |
| Europe & Africa (millions of yen) | 104,877 | 7.5 |
| Total | 1,997,414 | 5.5 |

(Notes) 1. Amounts are based on sales prices.
2. Production performance in the North, Central and South America segment increased mainly due to an increase in production volume.

b. Orders

The group receives production plans for each quarter and the following month from various customers, mainly Toyota Motor Corporation, and makes production plans and products in consideration of production capacity.

c. Sales

The table below shows sales performance by segment in the current fiscal year.

| Segment name | FY2026 (April 1, 2025 - March 31, 2026) | Year-on-year change (%) |
|---|---|---|
| Japan (millions of yen) | 891,184 | 3.2 |
| North, Central and South America (millions of yen) | 537,656 | 11.1 |
| China (millions of yen) | 202,377 | (8.9) |
| Asia (millions of yen) | 285,145 | 5.9 |
| Europe & Africa (millions of yen) | 120,698 | 4.6 |
| Total | 2,037,063 | 4.2 |

(Notes) 1. Inter-segment transactions are offset and eliminated.
2. Sales performance in the Japan segment increased mainly due to an increase in production volume.
3. Sales performance by major business partners and their ratio of total sales results for the two most recent fiscal years are as follows.

| Business partner | FY2025 (April 1, 2024 - March 31, 2025) | | FY2026 (April 1, 2025 - March 31, 2026) | |
|---|---|---|---|---|
| | Amount (millions of yen) | Ratio (%) | Amount (millions of yen) | Ratio (%) |
| Toyota Motor Corporation | 448,758 | 23.0 | 478,328 | 23.5 |
| Toyota Motor North America | 207,926 | 10.6 | 255,384 | 12.5 |
| TOYOTA AUTO BODY CO., LTD. | 220,899 | 11.3 | 204,578 | 10.0 |

(2) Management's analysis and discussion of business results

1) Material Accounting Policies and Significant Accounting Estimates

Material Accounting Policies adopted by the group in its consolidated financial statements are described in "Notes to Consolidated Financial Statements", "3. Material Accounting Policies" and, "4. Significant Accounting Estimates and Judgments."

2) Understanding, analysis and discussion of business results for the current fiscal year

As for the group's operating results for the current fiscal year, consolidated revenue increased by 82.8 billion yen, or 4.2% to 2,037.0 billion yen. Consolidated operating profit increased by 11.5 billion yen or 27.2% year over year to 53.9 billion yen. Consolidated profit before tax increased by 14.8 billion yen or

31.5% year over year to 61.9 billion yen. Profit attributable to owners of the parent increased by 6.5 billion yen or 39.2% year over year to 23.2 billion yen.

The group is affected by fluctuations in automobile production volume, sales volume, and vehicle models sold by the automobile manufacturers with whom it does business, among other factors that have a significant impact on its operating results.

a. Revenue

Revenue increased by 82.8 billion yen or 4.2% year over year to 2,037.0 billion yen, due to increased production in North, Central and South America and the launch of new products in Japan.

b. Operating profit

Operating profit increased by 11.5 billion yen or 27.2% year over year to 53.9 billion yen, due to the impact of impairment losses recorded in the previous fiscal year, the effects of new products, and global cost reduction, despite the recording of quality-related expenses.

c. Profit before income taxes

Profit before income taxes increased by 14.8 billion yen or 31.5% year over year to 61.9 billion yen, mainly due to the increase in operating profit.

d. Income tax expenses

Income tax expense increased by 9.1 billion yen or 43.0% year over year to 30.4 billion yen. Additionally, the ratio to profit before tax increased from 45.2% in the previous fiscal year to 49.2%.

e. Profit attributable to owners of the parent

Profit attributable to owners of the parent increased by 6.5 billion yen or 39.2% year over year to 23.2 billion yen, with basic earnings per share amounting to 130.30 yen.

3) Analysis and discussion of cash flows and information on capital resources and liquidity of funds

a. Cash flows

An analysis of cash flows for the current fiscal year is presented in "(1) Summary of business results, 2) Cash flows."

b. Approach to management and finances

The group's Management Vision is to enhance corporate value over the medium to long term by steadily and continuously returning the fruits of economic value enhancement to stakeholders and reinvesting for future growth. Therefore, we will strengthen our management foundation and competitiveness, while offering multi-dimensional value to customers and society and expanding our business domain.

c. Funding policy and methods

The group raises funds to continue its business activities, maintain adequate liquidity, stabilize its financial structure, and invest in growth. Funding methods are determined based on a comprehensive assessment of the market environment for both direct and indirect financing, as well as diversification of funding methods and economic rationality.

Long-term capital needs, such as capital expenditures and R&D expenses, are met by long-term borrowings from financial institutions and the issuance of bonds. In doing so, we level the amount of repayments and redemptions by fiscal year in order to reduce the repayment burden. Working capital needs are met through short-term borrowings.

In addition, in order to ensure a stable financing environment within a diversifying financing environment, the group has obtained credit ratings from rating agencies in Japan. As of the date of submission of this report, Japan Credit Rating Agency, Ltd. has assigned us a rating of AA (stable). These evaluations of the group's financial condition by external institutions are based on the fact that the group maintains a certain level of cash position, among other factors.

In addition, the Company has established a commitment line of credit to secure funds for urgent capital needs.

4) Management policies and strategies, objective indicators for judging the achievement of management goals

In the Mid-term Business Plan announced in November 2023, we set our management targets for 2030 as "become a company, as the Interior Space Creator, which realizes comfortable mobility interior spaces and contributes to solving social issues while expanding our product range and customer base" and set our financial targets for 2030 as follows: revenue of 2,200 billion yen, operating profit of 150 billion yen, and an operating profit ratio of 7%.

Financial results for FY2026 show that revenue increased by 82.8 billion yen year over year, to 2,037.0 billion yen, operating profit increased by 11.5 billion yen year over year, to 53.9 billion yen.

To achieve the goals set in the Mid-term Business Plan for 2030, we are steadily advancing activities to improve profitability, particularly in the United States, and introducing new products with enhanced added value. We are working to establish a stable revenue structure while efficiently executing strategic investments in human resources and research and development, with the aim of realizing the 2030 Midterm Business Plan.

## Consolidated Financial Statements

Consolidated Statement of Financial Position

(Millions of yen)

| | Notes | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 249,721 | 278,507 |
| Trade and other receivables | 8 | 290,236 | 297,783 |
| Inventories | 9 | 87,142 | 94,018 |
| Other financial assets | 30 | 19,191 | 29,429 |
| Income taxes receivable | | 7,882 | 6,156 |
| Other current assets | 10 | 14,457 | 17,492 |
| Total current assets | | 668,631 | 723,387 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 317,221 | 345,387 |
| Goodwill | 12 | 4,938 | 4,937 |
| Intangible assets | 12 | 19,548 | 18,683 |
| Investments accounted for using the equity method | 13 | 14,002 | 16,430 |
| Other financial assets | 30 | 33,923 | 39,585 |
| Deferred tax assets | 14 | 32,846 | 30,578 |
| Other non-current assets | 10 | 3,719 | 3,394 |
| Total non-current assets | | 426,199 | 458,997 |
| Total assets | | 1,094,831 | 1,182,385 |

The accompanying notes are an integral part of these consolidated financial statements.

(Millions of yen)

| | Notes | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 234,869 | 224,070 |
| Bonds and borrowings | 16 | 20,787 | 34,335 |
| Other financial liabilities | 30 | 5,149 | 5,694 |
| Income taxes payable | | 14,836 | 13,653 |
| Provisions | 18 | 7,155 | 29,107 |
| Other current liabilities | 19 | 104,653 | 121,267 |
| Total current liabilities | | 387,452 | 428,128 |
| Non-current liabilities | | | |
| Bonds and borrowings | 16 | 146,531 | 155,000 |
| Other financial liabilities | 30 | 7,338 | 7,181 |
| Retirement benefit liability | 20 | 55,075 | 52,137 |
| Provisions | 18 | 713 | 712 |
| Deferred tax liabilities | 14 | 5,000 | 6,622 |
| Other non-current liabilities | | 2,652 | 3,535 |
| Total non-current liabilities | | 217,311 | 225,188 |
| Total liabilities | | 604,763 | 653,317 |
| Equity | | | |
| Share capital | 21 | 8,400 | 8,400 |
| Capital surplus | 21 | 3,245 | 3,339 |
| Retained earnings | 21 | 397,533 | 407,113 |
| Treasury shares | 21 | (21,211) | (21,170) |
| Other components of equity | | 59,452 | 87,574 |
| Total equity attributable to owners of the parent | | 447,420 | 485,256 |
| Non-controlling interests | | 42,647 | 43,811 |
| Total equity | | 490,067 | 529,068 |
| Total liabilities and equity | | 1,094,831 | 1,182,385 |

**Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**
**Consolidated Statement of Income**

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Revenue | 23 | 1,954,218 | 2,037,063 |
| Cost of sales | | 1,745,012 | 1,829,658 |
| Gross profit | | 209,206 | 207,405 |
| Selling, general and administrative expenses | 24 | 136,469 | 151,529 |
| Other income | 25 | 7,623 | 7,538 |
| Other expenses | 25 | 37,960 | 9,465 |
| Operating profit | | 42,399 | 53,948 |
| Finance income | 26 | 7,674 | 8,451 |
| Finance expenses | 26 | 5,153 | 2,504 |
| Share of profit (loss) of investments accounted for using the equity method | 13 | 2,175 | 2,022 |
| Profit before income taxes | | 47,096 | 61,918 |
| Income tax expense | 14 | 21,292 | 30,454 |
| Profit for the period | | 25,803 | 31,464 |
| Profit attributable to | | | |
| Owners of the parent | | 16,719 | 23,271 |
| Non-controlling interests | | 9,084 | 8,192 |
| | | | |
| Earnings per share attributable to owners of the parent | 27 | | |
| Basic (Yen) | | 93.65 | 130.30 |
| Diluted (Yen) | | 93.63 | 130.27 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Profit for the period | | 25,803 | 31,464 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit plans | 20,28 | 2,080 | 1,000 |
| Net change in fair value of equity instruments measured at fair value through other comprehensive income | 28,30 | (2,299) | 3,949 |
| Share of other comprehensive income of investments accounted for using the equity method | 13,28 | (115) | 50 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | 28 | (3,405) | 27,414 |
| Net change in fair value of debt instruments measured at fair value through other comprehensive income | 28,30 | 0 | 0 |
| Share of other comprehensive income of investments accounted for using the equity method | 13,28 | (120) | 793 |
| Total other comprehensive income, net of tax | | (3,859) | 33,208 |
| Comprehensive income | | 21,944 | 64,672 |
| Comprehensive income attributable to | | | |
| Owners of the parent | | 12,734 | 53,071 |
| Non-controlling interests | | 9,209 | 11,600 |

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statement of Changes in Equity**
Fiscal year ended March 31, 2025

(Millions of yen)

| | Notes | Equity attributable to owners of the parent | | | | |
|---|---|---|---|---|---|---|
| | | | | | | Other components of equity |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Remeasurements of defined benefit plans |
| Balance at April 1, 2024 | | 8,400 | 3,095 | 394,213 | (21,515) | — |
| Profit for the period | | | | 16,719 | | |
| Other comprehensive income | | | | | | 1,969 |
| Comprehensive income | | — | — | 16,719 | — | 1,969 |
| Purchase of treasury shares | 21 | | | | (0) | |
| Disposal of treasury shares | 21 | | (15) | | 304 | |
| Dividends | 22 | | | (15,352) | | |
| Changes in ownership interest in subsidiaries | 13 | | 179 | | | |
| Change in scope of consolidation | | | (14) | | | |
| Transfer to retained earnings | 30 | | | 1,953 | | (1,969) |
| Total transactions with owners | | — | 149 | (13,399) | 304 | (1,969) |
| Balance at March 31, 2025 | | 8,400 | 3,245 | 397,533 | (21,211) | — |

| | Notes | Equity attributable to owners of the parent | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | Total | | |
| | | Net change in fair value of equity instruments measured at fair value through other comprehensive income | Net change in fair value of debt instruments measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | | | |
| Balance at April 1, 2024 | | 17,770 | (81) | 47,714 | 449,597 | 44,045 | 493,642 |
| Profit for the period | | | | | 16,719 | 9,084 | 25,803 |
| Other comprehensive income | | (2,415) | 0 | (3,539) | (3,985) | 125 | (3,859) |
| Comprehensive income | | (2,415) | 0 | (3,539) | 12,734 | 9,209 | 21,944 |
| Purchase of treasury shares | 21 | | | | (0) | | (0) |
| Disposal of treasury shares | 21 | | | | 288 | | 288 |
| Dividends | 22 | | | | (15,352) | (7,692) | (23,045) |
| Changes in ownership interest In subsidiaries | 13 | | | | 179 | (1,348) | (1,168) |
| Change in scope of consolidation | | | | | (14) | (1,567) | (1,582) |
| Transfer to retained earnings | 30 | 4 | | | (11) | | (11) |
| Total transactions with owners | | 4 | — | — | (14,911) | (10,608) | (25,519) |
| Balance at March 31, 2025 | | 15,359 | (81) | 44,175 | 447,420 | 42,647 | 490,067 |

The accompanying notes are an integral part of these consolidated financial statements.

Fiscal year ended March 31, 2026

(Millions of yen)

| | Notes | Equity attributable to owners of the parent | | | | |
|---|---|---|---|---|---|---|
| | | | | | | Other components of equity |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Remeasurements of defined benefit plans |
| Balance at April 1, 2025 | | 8,400 | 3,245 | 397,533 | (21,211) | — |
| Profit for the period | | | | 23,271 | | |
| Other comprehensive income | | | | | | 1,270 |
| Comprehensive income | | — | — | 23,271 | — | 1,270 |
| Purchase of treasury shares | 21 | | | | (0) | |
| Disposal of treasury shares | 21 | | (6) | | 41 | |
| Dividends | 22 | | | (15,363) | | |
| Changes in ownership interest in subsidiaries | 13 | | 94 | | | |
| Change in scope of consolidation | | | | | | |
| Transfer to retained earnings | 30 | | | 1.678 | | (1,270) |
| Transfer from retained earnings to capital surplus | | | 6 | (6) | | |
| Total transactions with owners | | — | 94 | (13,692) | 41 | (1,270) |
| Balance at March 31, 2026 | | 8,400 | 3,339 | 407,113 | (21,170) | — |

| | Notes | Equity attributable to owners of the parent | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | Total | | |
| | | Net change in fair value of equity instruments measured at fair value through other comprehensive income | Net change in fair value of debt instruments measured at fair value through other comprehensive income | Exchange differences on translation of foreign operations | | | |
| Balance at April 1, 2025 | | 15,359 | (81) | 44,175 | 447,420 | 42,647 | 490,067 |
| Profit for the period | | | | | 23,271 | 8,192 | 31,464 |
| Other comprehensive income | | 3,999 | 0 | 24,528 | 29,800 | 3,408 | 33,208 |
| Comprehensive income | | 3,999 | 0 | 24,528 | 53,071 | 11,600 | 64,672 |
| Purchase of treasury shares | 21 | | | | (0) | | (0) |
| Disposal of treasury shares | 21 | | | | 34 | | 34 |
| Dividends | 22 | | | | (15,363) | (7,607) | (22,971) |
| Changes in ownership interest in subsidiaries | 13 | | | | 94 | (2,829) | (2,734) |
| Change in scope of consolidation | | | | | — | | — |
| Transfer to retained earnings | 30 | (408) | | | — | | — |
| Transfer from retained earnings to capital surplus | | | | | — | | — |
| Total transactions with owners | | (408) | — | — | (15,235) | (10,436) | (25,671) |
| Balance at March 31, 2026 | | 18,951 | (80) | 68,703 | 485,256 | 43,811 | 529,068 |

Consolidated Statement of Cash Flows

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before income taxes | | 47,096 | 61,918 |
| Depreciation and amortization | | 56,011 | 52,967 |
| Impairment losses (reversal of impairment losses) | | 32,331 | 3,671 |
| Cost of sales from sublease | | 12,058 | 27,020 |
| Interest and dividend income | | (7,643) | (8,125) |
| Decrease (increase) in trade receivables | | 8,504 | 9,185 |
| Decrease (increase) in inventories | | (5,169) | (2,089) |
| Increase (decrease) in trade payables | | 4,474 | (9,283) |
| Increase (decrease) in provisions | | 2,556 | 22,919 |
| Increase (decrease) in other current liabilities | | (2,921) | 7,136 |
| Other | | (1,372) | (708) |
| (Subtotal) | | 145,927 | 164,613 |
| Interest received | | 7,448 | 7,980 |
| Dividends received | | 637 | 828 |
| Interest paid | | (1,807) | (2,202) |
| Income taxes paid | | (30,371) | (28,253) |
| Net cash provided by (used in) operating activities | | 121,834 | 142,965 |

The accompanying notes are an integral part of these consolidated financial statements.

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| | | | (Millions of yen) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (72,670) | (64,989) |
| Proceeds from sales of property, plant and equipment | | 6,170 | 1,404 |
| Purchase of intangible assets | | (4,967) | (4,124) |
| Payments into time deposits | | (21,548) | (39,637) |
| Proceeds from withdrawal of time deposits | | 32,675 | 31,052 |
| Other | | (615) | 794 |
| Net cash provided by (used in) investing activities | | (60,955) | (75,499) |
| Cash flows from financing activities | | | |
| Proceeds from short-term borrowings | 32 | 86,290 | 86,324 |
| Repayments of short-term borrowings | 32 | (75,269) | (74,104) |
| Proceeds from long-term borrowings | 32 | 1,574 | 20,000 |
| Repayments of long-term borrowings | 32 | — | (11,496) |
| Redemption of bonds | 32 | (10,000) | — |
| Dividends paid | 22 | (15,352) | (15,363) |
| Dividends paid to non-controlling interests | | (7,681) | (7,550) |
| Repayments of lease liabilities | 32 | (33,049) | (42,784) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | 13 | (1,168) | (2,763) |
| Other | | (280) | (619) |
| Net cash provided by (used in) financing activities | | (54,377) | (48,358) |
| Effect of exchange rate changes on cash and cash equivalents | | (1,842) | 9,677 |
| Net increase (decrease) in cash and cash equivalents | | 4,659 | 28,785 |
| Cash and cash equivalents at beginning of period | | 244,191 | 249,721 |
| Increase (decrease) in cash and cash equivalents included in assets held for sale | | 870 | — |
| Cash and cash equivalents at end of period | 7 | 249,721 | 278,507 |

## Notes to Consolidated Financial Statements

### 1. Reporting Entity

Toyota Boshoku Corporation (hereinafter, the “Company”) is a company domiciled in Japan. The addresses of its registered head office and principal offices are disclosed on the Company’s website (URL https://www.toyota-boshoku.com).

The accompanying consolidated financial statements comprise the Company and its consolidated subsidiaries (collectively, the “Group”), and the Company’s interests in affiliates. The Group manufactures and sells mainly seats, interior and exterior components, and unit parts in automotive components in the segments of “Japan”, “North, Central and South America”, “China”, “Asia” and “Europe and Africa”.

### 2. Basis of Presentation

(1) Compliance with international financial reporting standards (“IFRS”)

As the Company meets the requirements of “Specified Company Applying Designated International Financial Reporting Standards” pursuant to Article 1-2 of the Ordinance on Consolidated Financial Statements, the consolidated financial statements of the Company have been prepared in accordance with IFRS as permitted by the provision of Article 312 of the Ordinance.

The consolidated financial statements have been approved by Hiroyuki Suzuki, Chief Financial Officer, on July 31 2026.

(2) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, the application of hyperinflation accounting in a subsidiary in Argentina, and others measured at fair value as detailed in “3. Material Accounting Policies” and “35. Hyperinflation adjustment.”

(3) Functional currency and presentation currency

These consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, rounded down to the nearest million yen.

(4) Change in Presentation

In the consolidated statements of cash flows for the previous fiscal year, “Interest expense ” and“ Change in other current assets, ” which were presented as separate lines under “Cash flows from operating activities ”, are included in“ Other ” from the current fiscal year because their materiality has become immaterial. To reflect this change in presentation, 1,568 million yen presented in “Interest expense ” and 1,606 million yen presented in“ Change in other current assets ” of “Cash flows from operating activities ” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as“ Other ”.

In addition, “Proceeds from sales of investment securities ” which were presented as separate lines under“ Cash flows from investing activities ” are included in “Other ” from the current fiscal year because their materiality has become immaterial. To reflect this change in presentation, 112 million yen presented in “Proceeds from sales of investment securities ” of“ Cash flows from investing activities ” in the consolidated statements of cash flows for the previous fiscal year has been reclassified as “Other ”.

“Purchase of treasury stock ” which was presented as separate lines under“ Cash flows from financing activities ” is included in “Other ” from the current fiscal year because its materiality has become immaterial. In addition, “Purchase of shares of subsidiaries without change in scope of consolidation ” which was included in“ Other ” is presented as separate lines from the current fiscal year because its materiality has increased. To reflect this change in presentation, 1 million yen presented in “Purchase of treasury stock ” and 887 million yen presented in“ Other ” in “Cash flows from financing activities ” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as“ Purchase of shares of subsidiaries without change in scope of consolidation ” (1,168 million yen) and “Other ” (280 million yen).

## 3. Material Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from the Group's involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins from the date the Group obtains control of the subsidiary and ceases on the date it loses control of the same subsidiary.

Subsidiaries' financial statements are adjusted if their accounting policies differ from those of the Group. Intra-group balances, transactions and any unrealized gains or losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

When the ownership interest in a subsidiary is partially disposed of, the transaction is accounted for as an equity transaction if the Group retains control of the subsidiary. The carrying amount of the Group's equity and non-controlling interests is adjusted to reflect changes in the Group's interest in its subsidiary. Any difference between the amount of adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to owners of the parent.

If the Group loses control of a subsidiary, gain or loss on disposal is calculated as the difference between the total of the fair value of the consideration received and the fair value of the residual interest and the carrying amount of the subsidiary's assets (including goodwill), liabilities and non-controlling interests at the time control is lost, and is recognized in profit or loss.

2) Associates

Associates are entities over which the Group has significant influence in participating in the financial and operating policy decisions but of which the Group does not control or jointly control of those policies.

Investments in associates are accounted for by the equity method. Under the equity method, investments in associates are initially recognized at cost, and the Group's share of the investee's profit or loss and other comprehensive income is recognized as the Group's profit or loss and other comprehensive income and the carrying amount of the investee is adjusted, from the date on which the Group possesses a significant influence until the date on which the Group loses the significant influence. Any excess of the initial cost of acquisition over the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill and included in the carrying amount of the investment, and is not amortized.

(2) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured as the sum of the acquisition-date fair values of the assets transferred in exchange of control of the acquiree, the liabilities incurred by the Group to former owners of the acquiree, and the equity interests issued by the Group. The Group chooses on a transaction-by-transaction basis whether non-controlling interests are measured at fair value or based on the proportionate share of non-controlling interests in the acquiree's identifiable net assets.

Any excess of the consideration for acquisition over the fair value of the identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. If the consideration for acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized as profit or loss in the consolidated statement of income. Acquisition-related costs are recognized as expenses when they are incurred. Goodwill is carried at cost less accumulated impairment losses, without being amortized but tested for impairment.

The identifiable assets acquired and the liabilities assumed are measured at fair values at the acquisition date, except that:

- Deferred tax assets and liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12, "Income Taxes," and IAS 19, "Employee Benefits," respectively;
- Non-current assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," are recognized and measured in accordance with the standard;

- Liabilities or equity instruments related to share-based payment of the acquiree or the replacement of the acquiree's share-based payment with share-based payment of the Group are measured in accordance with IFRS 2, "Share-based Payment"; and
- As for leases in which the acquiree is the lessee, the Group deems acquired leases to be new leases at the acquisition date, and measures lease liabilities at the present value of the remaining lease payments. In addition, right-of-use assets are measured at an amount equal to the lease liability in principle. For a short-term lease with a lease term of 12 months or less and a lease with an underlying asset of low value, the Group does not recognize the right-of-use asset and the lease liability.

The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction without recognition of goodwill.

If the initial accounting for a business combination has not been completed by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The Group will retrospectively adjust the provisional amounts during the measurement period (not exceeding one year) or recognize additional assets or liabilities in order to reflect new information obtained about the facts and circumstances that existed as of the date of acquisition and would have affected the amounts recognized on the date of acquisition, if known.

(3) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are converted into the functional currency of each Group company using the exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date of measurement.

Translation differences arising from these translations or settlements of transactions are recognized as profit or loss. However, if a gain or loss on non-monetary items is recorded in other comprehensive income, translation differences are also recorded in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated at the exchange rate at the end of the reporting period. Income and expenses of foreign operations are translated at the average exchange rates during the reporting period, except in cases where exchange rates fluctuate significantly or the currency is of a hyperinflationary economy. Translation differences arising from translation of financial statements of foreign operations are recognized as other comprehensive income. These differences are included as exchange differences on translation of foreign operations in other components of equity. If a foreign operation is disposed of and the Group loses control over the operation, cumulative translation differences are transferred to profit or loss in the period of the disposal. The financial statements of subsidiaries in hyperinflationary economies are translated at closing rates and reflected in the consolidated financial statements.

(4) Reconciliation of hyperinflation

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies," our group has included in the consolidated financial statements the current unit of measure at the end of the reporting period for its subsidiaries whose functional currency is the Argentine peso.
In the presentation of foreign exchange differences arising from the translation of foreign operations in a hyperinflationary economy, we have adopted a restated approach and present the effect of translation in other comprehensive income.

(5) Financial instruments

1) Financial assets (excluding derivatives)

(i) Initial recognition and measurement

Financial assets are classified into financial assets based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets that occurred in the normal course of business are recognized or derecognized on the transaction date.

(a) Financial assets measured at amortized cost

The Group classifies financial assets as financial assets measured at amortized cost if the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs that are directly attributable to the acquisition.

(b) Debt instruments measured at fair value through other comprehensive income

The Group classifies financial assets as debt instruments measured at fair value through other comprehensive income if the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, debt instruments measured at fair value through other comprehensive income are measured at fair value plus transaction costs that are directly attributable to the acquisition.

(c) Equity instruments measured at fair value through other comprehensive income

Among financial assets to be measured at fair value through profit or loss without being classified as financial assets measured at amortized cost or debt instruments measured at fair value through other comprehensive income, as for investments in equity instruments not held for trading, it is permitted to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such investments, and the Group makes this designation for each financial instrument.

At initial recognition, equity instruments measured at fair value through other comprehensive income are measured at fair value plus transaction costs that are directly attributable to the acquisition.

(d) Financial assets measured at fair value through profit or loss

The Group classifies financial assets other than the above as financial assets measured at fair value through profit or loss.

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, and transaction costs that are directly attributable to the acquisition are recognized in profit or loss when they occur.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the following classifications:

(a) Financial assets measured at amortized cost

Carrying amount of financial assets measured at amortized cost are measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of financial assets to the gross carrying amount of the financial assets. Interest income is recognized in profit or loss, and included in “Finance income” in the consolidated statement of income.

In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

(b) Debt instruments measured at fair value through other comprehensive income

After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in other comprehensive income. When such financial assets are derecognized, the accumulated amount recognized as other comprehensive income is transferred to profit or loss.

(c) Equity instruments measured at fair value through other comprehensive income

After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in other comprehensive income. When such financial assets are derecognized, the accumulated amount recognized as other comprehensive income is transferred to retained earnings, not to profit or loss. Dividends are recognized as profit or loss.

(d) Financial assets measured at fair value through profit or loss

After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in profit and loss.

(iii) Impairment of financial assets

Financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income are assessed for impairment based on expected credit losses.

At the end of the reporting period, if credit risk has not increased significantly since initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default events that are possible within 12 months after the reporting date (12-month expected credit losses). On the other hand, at the end of the reporting period, if credit risk has increased significantly since initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from all possible default events over the life of the financial instrument (lifetime expected credit losses).

However, regardless of the above, lifetime expected credit loss measurement always applies to trade receivables and lease receivables.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when the Group transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor holds substantially all the risks and rewards of ownership of the asset and continues to control the transferred asset, the Group recognizes the retained interest on the assets and the relevant liabilities that might possibly be paid in association therewith.

2) Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

The Group classifies financial liabilities as financial liabilities measured at amortized cost. All financial liabilities are initially measured at fair value after deducting transaction costs that are directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The interest cost is included in “Finance expenses” in the consolidated statement of income. Gains or losses on derecognition are recognized as “Finance income” or “Finance expenses” in the consolidated statement of income.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives

The Group employs derivatives, including currency swaps, interest rate swaps, and foreign exchange forward contracts to mitigate foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value at the end of each reporting period.

4) Offsetting financial assets and liabilities

Financial assets are offset against financial liabilities and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize assets and settle liabilities simultaneously.

(6) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(7) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. The cost of inventories is determined mainly by using the weighted-average method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling cost.

(8) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, the costs of dismantling and removing the assets and restoration costs, as well as borrowing costs to be capitalized. Except for assets that are not subject to depreciation such as land and construction in progress, property, plant, and equipment is mainly depreciated using the straight-line method over the respective estimated useful lives.

The estimated useful lives of major asset items are as follows:

| | |
|---|---|
| • Buildings and structures | 3 to 50 years |
| • Machinery and equipment and vehicles | 2 to 10 years |
| • Tools, furniture and fixtures | 2 to 20 years |

The estimated useful lives, residual values and depreciation methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition is included in profit or loss when it is derecognized.

(9) Intangible assets

Intangible assets are measured using the cost model and stated at cost less accumulated amortization and accumulated impairment losses.

1) Intangible assets acquired separately

Intangible assets acquired separately are measured at acquisition cost at initial recognition and are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately with indefinite useful lives are carried at cost less accumulated impairment losses, without being amortized but tested for impairment, in the same way as goodwill.

2) Internally generated intangible assets

Expenditure on research is recognized as an expense in the consolidated statement of income in the fiscal year in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the Group can demonstrate all of the following:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale

(ii) its intention to complete the intangible asset and use or sell it

(iii) its ability to use or sell the intangible asset

(iv) how the intangible asset will generate probable future economic benefits

(v) the availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset

(vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria above.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

After initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortization and accumulated impairment losses.

4) Amortization of intangible assets

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives of major intangible assets are as follows:

- Software 5 years
- Development cost 5 years
- Customer-related intangible assets 5 years

The estimated useful lives, residual values and amortization methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

5) Derecognition of intangible assets

Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition is included in profit or loss when it is derecognized.

(10)Leases

The Group assesses whether a contract is, or contains, a lease at inception of a contract. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

1) Leases as lessee

If the Group determines that a contract is, or contains, a lease, it recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Lease liabilities are measured at the present value of the lease payments that are not paid at that date, and right-of-use assets are measured at cost that comprises the initial measurement amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease and others.

To many of lease contracts on land and buildings entered into by the Group, an extension option exercisable by the Group as the lessee is included for a variety of purposes such as ensuring flexibility in business. The Group assesses whether it is reasonably certain to exercise an extension option. When the Group determines that it is reasonably certain, the extension option period is included in the lease term.

After initial recognition, right-of-use assets are depreciated using the straight-line method over their useful lives or lease terms, whichever is shorter.

However, for a short-term lease with a lease term of 12 months or less and a lease with an underlying asset of low value, the Group recognizes the lease payments as expenses over the lease terms either on a straight-line basis or other systematic basis, instead of recognizing the right-of-use asset and the lease liability.

Right-of-use assets are included in “Property, plant and equipment” or “Intangible assets” in the consolidated statement of financial position, and stated at cost less accumulated depreciation and amortization and accumulated impairment losses. Lease liabilities are included in “Trade and other payables” and “Other financial liabilities” in the consolidated statement of financial position.

2) Leases as lessor

The Group classifies its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, and classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

For lease receivables related to finance lease transactions, an amount equal to the net investment in the lease is recognized as receivables. If the Group is a manufacturer lessor in a finance lease, for the portion deemed as sales of goods, it recognizes revenue and the corresponding cost of sales and selling profit or loss at the commencement date of the lease.

(11) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(12) Impairment of non-financial assets

The Group reviews non-financial assets of consolidated companies, excluding inventories and deferred tax assets, at the end of each reporting period to determine whether there is any indication of impairment. If there is any indication of impairment, impairment testing is conducted by estimating the recoverable amount of the asset or the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. In addition, for goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the Group conducts impairment testing at the same time every year, or if there is any indication of impairment by estimating the recoverable amount. For goodwill, the cash-generating unit is determined based on the lowest level for internal management purposes of goodwill, which is equal to or smaller than an operating segment.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In the calculation of value in use, estimated future cash flows are calculated using the cash flow model where cash flows are discounted by a discount rate.

Because corporate assets of consolidated companies do not generate independent cash inflows, if there is an indication that a corporate asset may be impaired, impairment testing is conducted based on the recoverable amount for the cash-generating unit to which the corporate asset belongs.

Impairment loss is recognized in profit or loss when the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. An impairment loss recognized in relation to a cash-generating unit is allocated to first reduce the carrying amount of goodwill allocated to the cash-generating unit, and then the carrying amount of other assets within the cash-generating unit is reduced on a pro rata basis.

The Group assesses whether any indication of a potential decrease in impairment loss recognized in prior periods for an asset other than goodwill exists, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount and the carrying amount less necessary depreciation and amortization costs that would have been determined if no impairment losses had been recognized in prior periods. An impairment loss recognized for goodwill is not reversed.

(13) Non-current assets held for sale

An asset or asset group for which the carrying amount is expected to be recovered through a sale transaction rather than through continuing use is classified as a held-for-sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the Group management commits to the sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount and its fair value less costs to sell.

(14) Provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations. In case the time value of money is material, provisions are measured at the present value by the estimated future cash flow that is discounted by a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as “Finance expenses” in the consolidated statement of income.

Provision for product warranties is recorded based on the estimated amount of claims expected to occur during the remaining warranty period, using past performance as a basis. Additionally, for the payments related to the safely measures including recalls, the Company estimates and records the amount reasonably expected to be borne by the company, taking into account the number of units affected, repair costs per unit, action rate, and the degree of responsibility with customers.

(15) Employee benefits

1) Post-employment benefits

(i) Defined benefit plans

The Group has the defined benefit corporate pension plan and lump-sum retirement benefit plan.

Retirement benefit assets (liabilities) are calculated for each plan by making adjustments for the asset ceiling where necessary, considering economic benefits available, to the estimated amount of future benefits earned by employees over the previous fiscal years and the current fiscal year less fair value of the plan assets.

Market yields on high grade investment corporate bonds with the similar maturity to that of the Group's defined benefit obligations as of the end of the reporting period are used in calculating the discount rate. Increase/decrease in benefit obligations for employees' past service at the present value due to revisions to the pension plan are recognized in profit or loss. The Group recognizes other remeasurements of the net defined benefit liability in other comprehensive income and then immediately reclassifies them from other comprehensive income to retained earnings.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions into separate entities and will have no legal or constructive obligation to make further contributions. Contributions under the defined contribution plan are expensed during the period when the employees' services are provided.

2) Other long-term employee benefits

Other long-term employee benefits are recognized as a liability when the Group has present constructive obligations to pay as a result of employee service in prior fiscal years and the current fiscal year, and when reliable estimates of the obligation can be made. The Group's other long-term employee benefits are calculated by discounting the estimated future amount of benefits to the present value.

Market yields on high grade investment corporate bonds with the similar maturity to that of the Company's obligations as of the end of the reporting period are used in calculating the discount rate.

3) Short-term employee benefits

Costs of short-term employee benefits are expensed as the relevant services are provided and are not discounted.

For bonus accrual and paid absences, when the Group has present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligation can be made, the Group recognizes the estimated amount to be paid based on these plans as a liability.

(16) Share-based payment

The Company has introduced a transfer-restricted share-based payment plan as an equity-settled share-based payment plan for directors (excluding outside directors).

Consideration for services received is measured at fair value as of the grant date of shares of the Company and recognized as expenses over the vesting period from the grant date, and the corresponding amount is recognized as an increase in equity.

(17) Equity

1) Common shares

The amount of equity instruments issued by the Company is recognized in "Share capital" and "Capital surplus," and direct issuance costs (net of tax) are deducted from "Capital surplus."

2) Treasury shares

When the Company acquires treasury shares, the consideration paid, together with direct transaction costs and tax effects, is recorded as a deduction from equity. When the Company disposes treasury shares, gains or losses on disposal, including the exercise of stock options, are recorded in "Capital surplus."

(18) Revenues

The Group recognizes revenue for the transfer of goods or services, other than revenue from lease contracts within the scope of IFRS 16 Leases, at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services based on the following steps.

(i) Identify the contract with a customer

(ii) Identify the performance obligations in the contract

(iii) Determine the transaction price

(iv) Allocate the transaction price to the separate performance obligations in the contract

(v) Recognize revenue when (or as) the entity satisfies a performance obligation

The Group mainly engages in manufacture and sale of automotive components. For sales of such products, the Group recognizes revenue when a customer accepts goods since the customer obtains control of the goods at that time and the performance obligations are considered to be satisfied, the Group normally recognizes revenue when a customer accepts goods after inspection. Revenue is measured at the amount of consideration promised in a contract with the customer.

(19) Government grants

Government grants are measured at fair value and recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Grants related to income are recorded as revenue in the same fiscal year in which the expenses are incurred. Government grants related to assets are presented by deducting the grant in arriving at the carrying amount of the asset.

(20) Income taxes

Income taxes consist of current taxes and deferred taxes. The income taxes are recognized in profit or loss, except for items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current taxes are recognized at the amount that expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the period.

Deferred tax assets are recognized for deductible temporary differences and unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred tax liabilities are, in principle, recognized for all taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit or tax loss at the time of the transaction;
- For taxable temporary differences associated with investments in subsidiaries and associates, in cases where the timing of reversal can be controlled and it is probable that such temporary differences are not reversed in a foreseeable future; and
- For deductible temporary differences associated with investments in subsidiaries and associates, in cases where it is not probable that sufficient taxable profits will be available against which the benefits of the temporary differences can be utilized, or cases where it is not probable that the temporary differences are expected to be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed in every period, and their carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed in every period and recognized to the extent that it has become probable that the deferred tax assets can be recovered by future taxable profits.

The Group recognizes the amount of the reasonable estimate for uncertain tax positions related to income tax as an asset or liability based on the interpretation of tax laws.

Deferred tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

Current tax assets and liabilities are offset, if, and only if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(21) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The fair values of those assets and liabilities have been determined using market information such as quoted market prices and valuation methodologies such as the market approach and cost approach. The following three levels of inputs are used to measure fair value.

Level 1

The market prices of the same assets or liabilities in active markets (which continuously ensure sufficient trading frequencies and transaction volumes) that the Group can access ~~to~~ as of the measurement date are used without adjustments.

Level 2

This level includes the published prices of similar assets or liabilities in active markets; the published prices of the same assets or liabilities in markets that are not active; inputs other than the observable published prices of assets and liabilities; and inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Because data are available only from limited markets, the Group uses unobservable inputs which reflect the judgment of the Group in the assumptions used by market participants to decide the prices of assets and liabilities. The Group calculates inputs based on the best available information, including the data of the Group itself.

(22) Levies

A liability to pay a levy is recognized in the amount to be paid when the Group has a present obligation to pay the levy.

(23) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of common shares outstanding, adjusted by the number of treasury shares, during the period. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential common shares.

(24) Dividends

Dividends are recognized as liabilities in the period in which each year-end dividend and interim dividend is approved by the Board of Directors.

## 4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with the IFRS accounting standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods.

The following items are accounting estimates and judgments that have significant effects on the amounts recognized in the consolidated financial statements for the current and future periods.

(1) Impairment assessment for property, plant and equipment and intangible assets in the Company's Unit Components Business

An indication of impairment has been identified in the Unit Components Business, which is a cash-generating unit of the Company within the Japan segment, since the operating results have deteriorated in the Unit Components Business as seen in continuous negative operating results. As a result of considering whether the recoverable amount of the Unit Components Business is less than the carrying amount, the recoverable amount exceeded the carrying amount, and therefore no impairment losses were recognized.

Carrying amount of property, plant and equipment and intangible assets in the Company's Unit Components Business

Before impairment recognition: 18,040 million yen and 16,828 million yen as of March 31, 2025 and 2026, respectively.

After impairment recognition: 15,359 million yen as of March 31, 2025

The recoverable amount is measured based on value in use. The value in use is calculated by discounting estimated future cash flows. The Company forecasts the estimated total amount of future cash flows based on the Group's profit plan approved by management. This estimate includes the future sales projections reflecting external factors such as the business environment and production plans presented by the auto makers and variable cost projections, assumptions such as a discount rate, and estimates of net cash-flows to be received for the disposal of land and buildings at the end of the useful lives of assets. The discount rate used to calculate the value in use was a pre-tax weighted average cost of capital (WACC) of 10.8% (discount rate in the previous fiscal year: 11.1%).

While these assumptions are determined based on the management's best estimates and judgments, they may be affected by results of changes in uncertain economic conditions in the future, and could have significant effects on amounts to be recognized in consolidated financial statements in the next fiscal year if they need to be reviewed.

(2) Impairment assessment for property, plant and equipment and intangible assets in the North, Central and South America Segment

In the North, Central and South America segment, the consolidated subsidiaries located in the United States, Canada and Mexico are treated as a single cash-generating unit ("North and Central America Group") in the impairment assessment since management monitors operations for sales, production and other activities, and makes investment decisions in an integrated manner. An indication of impairment has been identified in the North and Central America Group, since the operating results have deteriorated in the North and Central America Group as seen in continuous negative operating results due mainly to the impact of continued high prices of raw materials and labor costs. As a result of considering whether the recoverable amount of the North and Central America Group is less than the carrying amount, the recoverable amount fell below the carrying amount, and therefore the Company recognized impairment losses of 3,481 million yen on property, plant and equipment, including factories and production facilities, which were included in "Other expenses" in the consolidated statement of income.

Carrying amount of property, plant and equipment and intangible assets in the North and Central America Group

Before impairment recognition: 73,073 million yen and 53,828 million yen as of March 31, 2025 and 2026, respectively.

After impairment recognition: 44,731 million yen and 50,347 million yen as of March 31, 2025 and 2026, respectively.

The recoverable amount is measured based on the fair value less costs of disposal. The fair value less costs of disposal is estimated using the income approach by discounting estimated future cash flows at an after-tax discount rate of 12.8% (discount rate in the previous fiscal year: 13.3%), based on the profit plan for the North and Central America Group approved by management.

The future cash flows used in the income approach factor the assumptions including expected sales growth rates in the market to which the North and Central America Group belongs and expected profit margin ratio referenced from similar companies. The projection of the future cash flows involves uncertainty and is highly dependent on management's estimates and judgments.

The fair value measurement for the above is classified as Level 3 in the fair value hierarchy.

While these assumptions are determined based on management's best estimates and judgments, they may be affected by results of changes in uncertain economic conditions in the future, and could have significant effects on amounts to be recognized in consolidated financial statements in the next fiscal year if they need to be reviewed.

(3) Recoverability of deferred tax assets

The Company recognizes deferred tax assets for deductible temporary differences to the extent that it is probable that they can be used against future taxable profit (The amounts recorded: 30,578 million yen for the fiscal year ended March 31, 2026). When recognizing deferred tax assets, the Group reasonably estimates the timing and amount of taxable profit that can be earned in the future and calculates the amount in judgment of the probability that taxable profit will be available.

The timing and amount of taxable profit being available may be affected by changes in uncertain economic conditions in the future, and could have significant effects on amounts to be recognized in consolidated financial statements in the next fiscal year if the actual timing and amount differ from the estimates.

(4) Warranty provision

To provide for expenses arising from claims made within product warranty periods, the Company records estimated claim expenses for the remaining warranty period based on historical experience. In addition, to provide for expenses in connection with market actions such as recalls, the Company estimates and records the amount reasonably expected to be borne by the Company, taking into account factors such as the number of affected units, repair expenses per unit, expected completion rates, and the allocation of responsibility between the Company and its customers (The amounts recorded: 29,107 million yen for the fiscal year ended March 31, 2026).

The Company believes that the assumptions used in estimating these expenses are reasonable. However, because these estimates involve uncertainty, actual expenses may differ from the estimates due to unforeseeable changes in underlying assumptions or other factors, and could have significant effects on amounts to be recognized in the consolidated financial statements in the next fiscal year.

## 5. New Standards Not Yet Adopted

Establishments or amendments of accounting standards and interpretations that have been issued by the approval date of the consolidated financial statements and which the Group has not adopted are as follows. The Group is evaluating the impact of the adoption of IFRS 18 on its operations.

| Standards and Interpretations | | Mandatory effective date (Fiscal year beginning on or after) | Reporting period of adoption by the Group | Description of establishments and amendments |
|---|---|---|---|---|
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 | Fiscal year ending March 31, 2028 | Improved comparability across income statements, increased transparency of management-defined performance measures, and more useful grouping of information in financial statements |

## 6. Segment Information

(1) Outline of reportable segments

The reportable segments are the segments of the Group for which discrete financial information is available and for which operating profit (loss) amounts are evaluated regularly by the Company's Board of Directors in deciding resources to be allocated and in assessing performance.

The Group mainly engages in manufacture and sale of automotive components, and local companies incorporated within each region formulate a comprehensive strategy and operate business activities.

The Company is responsible for Japan; TOYOTA BOSHOKU AMERICA, INC. is in charge of North, Central and South America, which includes the U.S. and Canada as well as geographically close countries of Mexico, Brazil and Argentina; TOYOTA BOSHOKU ASIA CO., LTD. covers Asia (mainly Thailand, India, Indonesia, Malaysia, the Philippines and Vietnam, etc.) with a view to strengthening the community-based structure on both fronts of optimum production and supply network; and TOYOTA BOSHOKU (CHINA) CO., LTD. is responsible for China. TOYOTA BOSHOKU EUROPE N.V. is responsible for Europe and Africa (mainly France, Poland, Slovakia, Turkey, South Africa, etc.), and these regions are managed as one management unit.

The accounting method of segment information is based on "3. Material Accounting Policies".

Segment profit is based on operating profit in the consolidated statement of income. Finance income, finance expenses, share of profit of investments accounted for using equity method, and income tax expense are excluded from segment performance, because these items are not included in segment profit that is reviewed by the Company's Board of Directors.

(2) Revenue, profits or losses, and other material items for each reportable segment

FY2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

| | Reportable segment | | | | | | Eliminations (Notes 1, 2) | Consolidated (Note 4) |
|---|---|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia | Europe and Africa | Total | | |
| Revenue | | | | | | | | |
| Revenue from external customers | 863,370 | 483,972 | 222,065 | 269,372 | 115,438 | 1,954,218 | – | 1,954,218 |
| Inter-segment revenue (Note 3) | 75,909 | 5,127 | 11,475 | 16,864 | 2,731 | 112,108 | (112,108) | – |
| Total | 939,280 | 489,099 | 233,540 | 286,236 | 118,169 | 2,066,327 | (112,108) | 1,954,218 |
| Segment profit (loss) | 10,170 | (26,035) | 16,560 | 36,184 | 5,465 | 42,345 | 54 | 42,399 |
| Segment assets | 680,200 | 189,639 | 142,708 | 174,366 | 67,196 | 1,254,110 | (159,279) | 1,094,831 |
| Finance income | | | | | | | | 7,674 |
| Finance expenses | | | | | | | | 5,153 |
| Share of profit of investments accounted for using equity method | | | | | | | | 2,175 |
| Profit before income taxes | | | | | | | | 47,096 |

(Notes) 1. 54 million yen in eliminations for segment profit is mainly inter-segment transactions.

2. Eliminations for segment assets include corporate assets of 85,480 million yen and eliminations of receivables and payables, etc. of (244,759) million yen. Corporate assets are mainly funds not attributable to reportable segments.

3. Inter-segment revenue is based on transaction prices that are determined through price negotiation, taking into account market prices and total costs incurred.

4. Segment profit (loss) reconciles to operating profit disclosed in the consolidated financial statements.

Other material items

(Millions of yen)

| | Reportable segment | | | | | | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia | Europe and Africa | Total | | |
| Depreciation and amortization | 26,101 | 11,128 | 7,539 | 7,477 | 3,764 | 56,011 | – | 56,011 |
| Impairment losses | 3,035 | 28,342 | 831 | – | – | 32,208 | – | 32,208 |
| Reversal of impairment losses | – | – | – | – | – | – | – | – |
| Investments accounted for using equity method | 5,285 | 3,005 | 1,255 | 2,581 | 1,874 | 14,002 | – | 14,002 |
| Increase in non-current assets | 30,316 | 21,593 | 7,540 | 10,839 | 10,435 | 80,724 | – | 80,724 |

Non-current assets exclude financial assets, deferred tax assets, and retirement benefit asset.

FY2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

| | Reportable segment | | | | | | Eliminations (Note 1, 2) | Consolidated (Note 4) |
|---|---|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia | Europe and Africa | Total | | |
| Revenue | | | | | | | | |
| Revenue from external customers | 891,184 | 537,656 | 202,377 | 285,145 | 120,698 | 2,037,063 | – | 2,037,063 |
| Inter-segment revenue (Note 3) | 76,844 | 4,671 | 13,680 | 17,134 | 3,361 | 115,692 | (115,692) | – |
| Total | 968,029 | 542,327 | 216,058 | 302,280 | 124,059 | 2,152,756 | (115,692) | 2,037,063 |
| Segment profit (loss) | 5,110 | (9,898) | 14,755 | 40,006 | 3,793 | 53,766 | 181 | 53,948 |
| Segment assets | 686,529 | 215,137 | 153,680 | 194,209 | 82,424 | 1,331,982 | (149,596) | 1,182,385 |
| Finance income | | | | | | | | 8,451 |
| Finance expenses | | | | | | | | 2,504 |
| Share of profit of investments accounted for using equity method | | | | | | | | 2,022 |
| Profit before income taxes | | | | | | | | 61,918 |

(Notes) 1. 181 million yen in eliminations for segment profit is mainly inter-segment transactions.
2. Eliminations for segment assets include corporate assets of 118,804 million yen and eliminations of receivables and payables, etc. of (268,400) million yen. Corporate assets are mainly funds not attributable to reportable segments.
3. Inter-segment revenue is based on transaction prices that are determined through price negotiation, taking into account market prices and total costs incurred.
4. Segment profit (loss) reconciles to operating profit disclosed in the consolidated financial statements.

Other material items

(Millions of yen)

| | Reportable segment | | | | | | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia | Europe and Africa | Total | | |
| Depreciation and amortization | 26,743 | 6,527 | 6,714 | 7,920 | 5,061 | 52,967 | – | 52,967 |
| Impairment losses | – | 3,481 | – | – | 189 | 3,671 | – | 3,671 |
| Reversal of impairment losses | – | – | – | – | – | – | – | – |
| Investments accounted for using equity method | 6,841 | 3,870 | 1,023 | 2,615 | 2,080 | 16,430 | – | 16,430 |
| Increase in non-current assets | 32,002 | 12,587 | 4,311 | 14,040 | 9,147 | 72,089 | – | 72,089 |

Non-current assets exclude financial assets, deferred tax assets, and retirement benefit asset.

(3) Information about products and services

FY2025 (From April 1, 2024 to March 31, 2025)

Since revenue from external customers for products and services other than auto parts is insignificant, the information is omitted.

FY2026 (From April 1, 2025 to March 31, 2026)

Since revenue from external customers for products and services other than auto parts is insignificant, the information is omitted.

(4) Geographic information

Revenue from external customers

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Japan | 838,885 | 869,497 |
| U.S.A. | 279,393 | 328,779 |
| China | 192,566 | 198,512 |
| Other | 643,373 | 640,273 |
| Total | 1,954,218 | 2,037,063 |

(Notes) 1. Countries which have significant impact on the consolidated financial statements are individually presented.
2. Revenue is provided by location of customer.

Non-current assets

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Japan | 176,442 | 179,426 |
| U.S.A | 42,323 | 42,627 |
| China | 38,410 | 44,263 |
| Other | 87,892 | 105,697 |
| Total | 345,068 | 372,014 |

(Notes) 1. Countries which have significant impact on the consolidated financial statements are individually presented.
2. Non-current assets (excluding financial assets, deferred tax assets, and retirement benefit asset) are provided by location of assets.

(5) Principal customer information

The principal customer is Toyota Motor Corporation and its subsidiaries. Revenue from the principal customer is recorded in all segments (Japan; North, Central and South America; China; Asia; and Europe and Africa).

(Millions of yen)

| FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|
| 1,422,366 | 1,489,792 |

**7. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Cash and deposits | 249,721 | 268,507 |
| Negotiable certificate of deposits | – | 10,000 |
| Total | 249,721 | 278,507 |

**8. Trade and Other Receivables**

Trade and other receivables consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Trade notes and accounts receivable | 226,945 | 243,110 |
| Electronically recorded monetary claims - trade | 21,745 | 21,474 |
| Lease receivables | 33,061 | 26,124 |
| Other | 10,337 | 8,713 |
| Allowance for doubtful accounts | (1,854) | (1,638) |
| Total | 290,236 | 297,783 |

(Note) The amount net of allowance for doubtful accounts is shown in the consolidated statement of financial position.

## 9. Inventories

Inventories consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Merchandise and finished goods | 10,050 | 10,441 |
| Work in process | 23,234 | 22,972 |
| Raw materials and supplies | 53,856 | 60,604 |
| Total | 87,142 | 94,018 |

(Note) The amount of inventory write-downs recorded in cost of sales in the fiscal year ended March 31, 2026 was 682 million yen (682 million yen in the fiscal year ended March 31, 2025).
In the fiscal years ended March 31, 2025 and 2026, there were no significant reversals of write-downs.

## 10. Other Assets

Other assets consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| (Other current assets) | | |
| Prepaid expenses | 2,937 | 3,124 |
| Advance payments to suppliers | 3,981 | 5,295 |
| Consumption taxes receivable | 3,045 | 3,679 |
| Other | 4,493 | 5,392 |
| Total | 14,457 | 17,492 |
| (Other non-current assets) | | |
| Long-term prepaid expenses | 1,522 | 1,549 |
| Other | 2,196 | 1,845 |
| Total | 3,719 | 3,394 |

## 11. Property, Plant and Equipment

(1) Movements

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses and the carrying amounts of property, plant and equipment are as follows.

(Millions of yen)

| Acquisition cost | Land | Buildings and structures | Machinery and equipment and vehicles | Tools, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2024 | 39,223 | 265,239 | 475,218 | 81,258 | 36,389 | 897,330 |
| Acquisition | 3,295 | 2,066 | 5,198 | 2,044 | 58,804 | 71,409 |
| Disposal | (968) | (1,916) | (16,924) | (5,417) | (831) | (26,057) |
| Exchange differences on translation of foreign operations | 33 | (1,685) | (3,617) | (213) | (577) | (6,060) |
| Hyperinflation adjustment | 20 | 2,240 | 2,702 | 238 | (537) | 4,664 |
| Other | (1) | 24,748 | 19,161 | 8,551 | (53,624) | (1,165) |
| As of March 31, 2025 | 41,603 | 290,693 | 481,739 | 86,461 | 39,622 | 940,120 |
| Acquisition | 2,102 | 2,727 | 5,782 | 2,216 | 51,119 | 63,948 |
| Disposal | – | (2,852) | (15,046) | (4,744) | (20) | (22,663) |
| Exchange differences on translation of foreign operations | 783 | 11,651 | 25,222 | 3,720 | 1,491 | 42,869 |
| Hyperinflation adjustment | 15 | 1,287 | 2,739 | 176 | 27 | 4,246 |
| Other | 29 | 13,204 | 41,910 | 6,199 | (64,112) | (2,769) |
| As of March 31, 2026 | 44,534 | 316,711 | 542,348 | 94,030 | 28,128 | 1,025,752 |

(Note) “Other” includes transfers from “Construction in progress” to each item.

(Millions of yen)

| Accumulated depreciation and accumulated impairment losses | Land | Buildings and structures | Machinery and equipment and vehicles | Tools, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2024 | 690 | 160,535 | 353,791 | 65,636 | 45 | 580,699 |
| Depreciation | – | 10,410 | 29,902 | 7,640 | – | 47,953 |
| Impairment losses | – | 4,143 | 15,244 | 879 | 11,429 | 31,696 |
| Disposal | – | (1,756) | (15,206) | (5,206) | – | (22,169) |
| Exchange differences on translation of foreign operations | – | (670) | (2,885) | (174) | (223) | (3,954) |
| Hyperinflation adjustment | – | 502 | 1,935 | 226 | – | 2,664 |
| Other | – | (436) | (1,073) | 591 | 1 | (915) |
| As of March 31, 2025 | 690 | 172,728 | 381,708 | 69,593 | 11,253 | 635,974 |
| Depreciation | – | 11,087 | 25,256 | 7,605 | – | 43,948 |
| Impairment losses | – | – | 299 | 6 | 3,365 | 3,671 |
| Disposal | – | (2,170) | (14,018) | (4,521) | – | (20,710) |
| Exchange differences on translation of foreign operations | – | 6,898 | 20,432 | 2,897 | 372 | 30,600 |
| Hyperinflation adjustment | – | 477 | 1,555 | 173 | – | 2,205 |
| Other | – | 221 | 9,198 | (296) | (9,813) | (689) |
| As of March 31, 2026 | 690 | 189,242 | 424,433 | 75,456 | 5,177 | 695,001 |

(Note) Depreciation of property, plant and equipment is included in “Cost of sales”, “Selling, general and administrative expenses” and “Other expenses” in the consolidated statement of income.
“Other” includes transfers from “Construction in progress” to each item.

(Millions of yen)

| Carrying amount | Land | Buildings and structures | Machinery and equipment and vehicles | Tools, furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2024 | 38,533 | 104,703 | 121,426 | 15,622 | 36,344 | 316,630 |
| As of March 31, 2025 | 40,913 | 117,964 | 100,030 | 16,868 | 28,368 | 304,145 |
| As of March 31, 2026 | 43,843 | 127,468 | 117,915 | 18,573 | 22,950 | 330,751 |

(2) Carrying amount of property, plant and equipment pledged as collateral

Assets pledged as collateral and corresponding liabilities consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Assets pledged as collateral | | |
| Buildings and structures | 0 | 0 |
| Land | – | – |
| Total | 0 | 0 |
| Secured liabilities | | |
| Long-term guarantee deposits | 15 | 15 |
| Total | 15 | 15 |

(3) Breakdown of property, plant and equipment

Property, plant and equipment consist of owned property, plant and equipment and right-of-use assets, and their carrying amounts are as follows:

(Millions of yen)

| Carrying amount | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Property, plant and equipment [see (1) Movements] | 304,145 | 330,751 |
| Right-of-use assets | 13,075 | 14,636 |
| Balance of property, plant and equipment recognized in the consolidated statement of financial position | 317,221 | 345,387 |

(4) Impairment losses

FY2025 (From April 1, 2024 to March 31, 2025)

Significant impairment losses are described in “4. Significant Accounting Estimates and Judgements.”

FY2026 (From April 1, 2025 to March 31, 2026)

Significant impairment losses are described in “4. Significant Accounting Estimates and Judgements.”

## 12. Goodwill and Intangible Assets

(1) Movements

Changes in acquisition cost, accumulated amortization and accumulated impairment losses and the carrying amounts of intangible assets are as follows:

(Millions of yen)

| Acquisition cost | Software | Develop-ment cost | Goodwill | Patents | Customer-related intangible assets | Other | Total |
|---|---|---|---|---|---|---|---|
| As of April 1, 2024 | 27,914 | 1,023 | 4,916 | 2,434 | 4,276 | 6,198 | 46,763 |
| Acquisition | 4,699 | 115 | – | 16 | – | 136 | 4,967 |
| Internally generated | – | – | – | – | – | – | – |
| Disposal | (4,477) | – | – | – | – | (36) | (4,514) |
| Exchange differences on translation of foreign operations | (89) | – | – | – | – | (159) | (249) |
| Hyperinflation adjustment | 86 | – | – | – | – | 398 | 485 |
| Other | 97 | (1) | 22 | – | – | (51) | 66 |
| As of March 31, 2025 | 28,231 | 1,137 | 4,938 | 2,451 | 4,276 | 6,486 | 47,520 |
| Acquisition | 3,753 | 368 | – | 2 | 80 | 133 | 4,337 |
| Internally generated | – | – | – | – | – | – | – |
| Disposal | (2,645) | – | – | – | – | (89) | (2,735) |
| Exchange differences on translation of foreign operations | 544 | – | – | – | – | 353 | 897 |
| Hyperinflation adjustment | 70 | – | – | – | – | 293 | 363 |
| Other | 79 | (150) | (1) | – | – | 189 | 115 |
| As of March 31, 2026 | 30,031 | 1,354 | 4,937 | 2,453 | 4,356 | 7,366 | 50,500 |

(Millions of yen)

| Accumulated amortization and accumulated impairment losses | Software | Develop-ment cost | Goodwill | Patents | Customer-related intangible assets | Other | Total |
|---|---|---|---|---|---|---|---|
| As of April 1, 2024 | 15,281 | 726 | – | 625 | 554 | 5,193 | 22,380 |
| Amortization expenses | 3,299 | 70 | – | 190 | 855 | 153 | 4,569 |
| Impairment losses | 150 | – | – | – | – | 233 | 384 |
| Disposal | (4,296) | – | – | – | – | (5) | (4,301) |
| Exchange differences on translation of foreign operations | (75) | – | – | – | – | (175) | (250) |
| Hyperinflation adjustment | 83 | – | – | – | – | 410 | 494 |
| Other | (119) | – | – | – | – | (16) | (135) |
| As of March 31, 2025 | 14,324 | 797 | – | 815 | 1,409 | 5,795 | 23,141 |
| Amortization expenses | 3,979 | 61 | – | 164 | 903 | 269 | 5,378 |
| Impairment losses | – | – | – | – | – | – | – |
| Disposal | (2,619) | – | – | – | – | (123) | (2,743) |
| Exchange differences on translation of foreign operations | 420 | – | – | – | – | 310 | 731 |
| Hyperinflation adjustment | 69 | – | – | – | – | 325 | 395 |
| Other | 114 | – | – | – | – | (23) | 90 |
| As of March 31, 2026 | 16,288 | 858 | – | 980 | 2,312 | 6,553 | 26,993 |

(Note) Amortization expenses of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(Millions of yen)

| Carrying amount | Software | Develop-ment cost | Goodwill | Patents | Customer-related intangible assets | Other | Total |
|---|---|---|---|---|---|---|---|
| As of April 1, 2024 | 12,633 | 297 | 4,916 | 1,809 | 3,722 | 1,004 | 24,383 |
| As of March 31, 2025 | 13,907 | 339 | 4,938 | 1,635 | 2,866 | 691 | 24,379 |
| As of March 31, 2026 | 13,742 | 496 | 4,937 | 1,473 | 2,043 | 812 | 23,506 |

Research and development expenditures recognized in profit or loss consist of the following. These are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Millions of yen)

| | FY2025<br>(From April 1, 2024<br>to March 31, 2025) | FY2026<br>(From April 1, 2025<br>to March 31, 2026) |
|---|---|---|
| Research and development expenditures recognized in profit or loss | 54,934 | 61,157 |

(2) Breakdown of intangible assets

Intangible assets consist of owned intangible assets and right-of-use assets, and their carrying amounts are as follows.

(Millions of yen)

| Carrying amount | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| Intangible assets [see (1) Movements] | 19,440 | 18,569 |
| Right-of-use assets | 107 | 114 |
| Balance of intangible assets recognized in the consolidated statement of financial position | 19,548 | 18,683 |

(3) Material intangible assets

There were no individually material intangible assets recorded in the consolidated statement of financial position as of March 31, 2025 and March 31, 2026, respectively.

(4) Impairment losses

FY2025 (From April 1, 2024 to March 31, 2025)

There were no significant impairment losses.

FY2026 (From April 1, 2025 to March 31, 2026)

There were no significant impairment losses.

(5) Impairment test of goodwill

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows.

(Millions of yen)

| Geographical area | Cash-generating unit | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|---|
| Japan | The Company | 4,747 | 4,747 |
| Europe and Africa | TOYOTA BOSHOKU LEGNICA SP. Z O.O. | 190 | 189 |
| Total | | 4,938 | 4,937 |

For the recoverable value of cash-generating units to which goodwill is allocated, value in use is calculated by discounting the estimated amount of cash flows, which is based on a business plan covering a maximum of five years that was prepared by reflecting past experience and external information and has been approved by the management, to present value using the pre-tax weighted average cost of capital (WACC) of the cash-generating unit, which is approximately 10.8% (discount rate in the previous fiscal year: 11.1%).

There were no impairment losses on goodwill recognized in the fiscal years ended March 31, 2025 and 2026, respectively.

The Group concluded that, even if there were reasonably possible changes in key assumptions used in the impairment assessment, it is unlikely that a material impairment would arise.

## 13. Involvement in Subsidiaries and Associates

Major subsidiaries for the fiscal year ended March 31, 2026 consist of the following.

| Company name | Location | Principal business | Percentage of voting rights of the Company (%) |
|---|---|---|---|
| TOYOTA BOSHOKU TOHOKU CORPORATION | Kitakami-shi, Iwate | Auto parts | 100.0 |
| COWERK CO., LTD. | Kariya-shi, Aichi | Auto parts | 52.0 |
| TOYOTA BOSHOKU KYUSHU CORPORATION | Kanzaki-shi, Saga | Auto parts | 100.0 |
| TOYOTA BOSHOKU SEIKO CORPORATION | Takahama-shi, Aichi | Auto parts | 66.4 |
| SEAT METAL PARTS CHINA CO., LTD | Zhejiang, China | Auto parts | 90.0<br>(90.0) |
| TB LOGISTICS CORPORATION | Toyota-shi, Aichi | Auto parts | 100.0 |
| TOYOTA BOSHOKU AMERICA, INC. | Kentucky, U.S.A. | Auto parts | 100.0 |
| TOYOTA BOSHOKU JACKSON TENNESSEE, LLC | Tennessee, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU TENNESSEE, LLC | Tennessee, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU KENTUCKY, LLC | Kentucky, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU ARGENTINA S.R.L. | Buenos Aires, Argentina | Auto parts | 95.0<br>(95.0) |
| TOYOTA BOSHOKU CANADA, INC. | Ontario, Canada | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU MISSISSIPPI, LLC | Mississippi, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU DO BRASIL LTDA. | Sao Paulo, Brazil | Auto parts | 100.0<br>(0.1) |
| TOYOTA BOSHOKU INDIANA, LLC | Indiana, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU ILLINOIS, LLC | Illinois, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU WESTERN KENTUCKY, LLC. | Kentucky, U.S.A. | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU (CHINA) CO., LTD. | Shanghai, China | Auto parts | 100.0 |
| CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. | Chengdu, Sichuan Province, China | Auto parts | 53.0<br>(53.0) |
| NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. | Ningbo, Zhejiang Province, China | Auto parts | 80.0<br>(40.0) |
| TIANJIN INTEX AUTO PARTS CO., LTD. | Tianjin, China | Auto parts | 75.0<br>(75.0) |
| TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. | Tianjin, China | Auto parts | 100.0 |
| GUANGZHOU INTEX AUTO PARTS CO., LTD. | Guangzhou, Guangdong Province, China | Auto parts | 75.0<br>(75.0) |
| TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD. | Guangzhou, Guangdong Province, China | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU FOSHAN CO., LTD. | Foshan, Guangdong Province, China | Auto parts | 100.0 |

| Company name | Location | Principal business | Percentage of voting rights of the Company (%) |
|---|---|---|---|
| TOYOTA BOSHOKU (TIANJIN) AUTOMOTIVE PARTS CO., LTD. | Tianjin, China | Auto parts | 100.0<br>(100.0) |
| SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. | Shenyang, Liaoning Province, China | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU ASIA CO., LTD. | Bangkok, Thailand | Auto parts | 100.0 |
| SHIN SAN SHING CO., LTD. | Hsinchu, Taiwan | Auto parts | 47.0<br>[3.8] |
| PT. TOYOTA BOSHOKU INDONESIA | Jawa Barat, Indonesia | Auto parts | 81.8 |
| TOYOTA BOSHOKU PHILIPPINES CORPORATION | Laguna, the Philippines | Auto parts | 95.0 |
| TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. | Chachoengsao, Thailand | Auto parts | 80.0<br>(30.0) |
| TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED | Karnataka, India | Auto parts | 95.0<br>(25.0) |
| TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD. | Rayong, Thailand | Auto parts | 80.0<br>(80.0) |
| TOYOTA BOSHOKU SIAM METAL CO., LTD. | Chonburi, Thailand | Auto parts | 87.1<br>(87.1) |
| TOYOTA BOSHOKU HAIPHONG CO., LTD. | Haiphong, Vietnam | Auto parts | 100.0 |
| PT. TOYOTA BOSHOKU DEVICE INDONESIA | Jawa Barat, Indonesia | Auto parts | 80.0<br>(80.0) |
| BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD. | Rayong, Thailand | Auto parts | 90.0<br>(90.0) |
| TOYOTA BOSHOKU DEVICE INDIA PRIVATE LIMITED | Haryana, India | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU EUROPE N.V. | Zaventem, Belgium | Auto parts | 100.0 |
| TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S. | Adapazari, Turkey | Auto parts | 90.0<br>(90.0) |
| TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD. | Kwazulu-Natal, South Africa | Auto parts | 85.0<br>(85.0) |
| TOYOTA BOSHOKU SOMAIN S.A.S. | Zone Industrielle de la Renaissance, France | Auto parts | 100.0<br>(100.0) |
| TOYOTA BOSHOKU POLAND SP. Z O.O. | Lower Silesian Voivodeship, Poland | Auto parts | 100.0<br>(100.0) |
| other 25 companies | | | |

(Notes) 1. The name of business division is shown in the “Principal business” field.

2. In the “Percentage of voting rights of the Company” field, the figures shown in parentheses, included in the figures directly above, represent the indirect ownership ratio, and the figures shown in square brackets, not included in the figures directly above, represent the ownership ratio of close persons, etc.

3. The Group only holds less than 50% stake in SHIN SAN SHING CO., LTD., and the percentage of its voting rights at shareholders’ meetings is also less than 50%. However, because the Company substantively controls the said company by a contract, this company is deemed as its subsidiary.

There were no subsidiaries or associates of individual significance for which the Company has non-controlling interests for the fiscal years ended March 31, 2025 and 2026, respectively.

Impacts on capital surplus due to changes in ownership interests in consolidated subsidiaries that do not result in a loss of control

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Consideration for acquisition | 1,168 | 2,734 |
| Decrease in non-controlling interests | (1,348) | (2,829) |
| Changes in capital surplus | 179 | 94 |

Gains (losses) associated with a loss of control of subsidiaries for the fiscal years ended March 31, 2025 and 2026 were insignificant.

The carrying amounts of interests in individually insignificant associates attributable to the Group, which are accounted for using the equity method, are as follows.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Carrying amount | 14,002 | 16,430 |

The amounts of equity in comprehensive income of individually insignificant associates accounted for using the equity method consist of the following. These amounts are after adjusting for the Group’s ownership ratio.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Amount of equity in profit | 2,175 | 2,022 |
| Amount of equity in other comprehensive income | (236) | 843 |
| Total comprehensive income | 1,939 | 2,866 |

## 14. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

Increase (decrease) in deferred tax assets and deferred tax liabilities consist of the following.

FY2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

| | Balance at beginning of period | Recognized in profit or loss (Note) | Recognized in other comprehen-sive income | Other | Balance at end of period |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Accrued expenses | 1,231 | 1,445 | – | – | 2,677 |
| Accrued paid absences | 4,686 | 259 | – | – | 4,946 |
| Accrued bonuses | 4,417 | 169 | – | – | 4,587 |
| Impairment losses | – | 3,004 | – | – | 3,004 |
| Inventories | – | 2,359 | – | – | 2,359 |
| Retirement benefit liability | 18,914 | 264 | (1,045) | – | 18,133 |
| Provisions | 569 | 849 | – | – | 1,419 |
| Net operating loss carry-forwards for tax purposes | 4,097 | (3) | – | – | 4,093 |
| Tax credits carry-forwards | – | 3 | – | – | 3 |
| Other | 12,994 | 10,043 | – | – | 23,037 |
| Total deferred tax assets | 46,912 | 18,396 | (1,045) | – | 64,262 |
| Deferred tax liabilities | | | | | |
| Depreciation | 1,049 | (844) | – | – | 204 |
| Undistributed profits at subsidiaries and associates | 19,408 | 1,154 | – | – | 20,562 |
| Financial assets measured at fair value through other comprehensive income | 7,756 | 1 | (1,028) | – | 6,730 |
| Other | 10,182 | (1,263) | – | – | 8,919 |
| Total deferred tax liabilities | 38,397 | (951) | (1,028) | – | 36,417 |
| Net amount | 8,515 | 19,347 | (17) | – | 27,845 |

(Note) Foreign currency translation differences are included in the amount recognized through profit or loss.

FY2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

| | Balance at beginning of period | Recognized in profit or loss (Note) | Recognized in other comprehensive income | Other | Balance at end of period |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Accrued expenses | 2,677 | 506 | – | – | 3,184 |
| Accrued paid absences | 4,946 | 284 | – | – | 5,230 |
| Accrued bonuses | 4,587 | 675 | – | – | 5,262 |
| Impairment losses | 3,004 | (54) | – | – | 2,950 |
| Inventories | 2,359 | 920 | – | – | 3,279 |
| Retirement benefit liability | 18,133 | 1,074 | (749) | – | 18,459 |
| Provisions | 1,419 | 4,823 | – | – | 6,242 |
| Net operating loss carry-forwards for tax purposes | 4,093 | 7,095 | – | – | 11,189 |
| Tax credits carry-forwards | 3 | (3) | – | – | – |
| Other | 23,037 | (9,806) | – | – | 13,231 |
| Total deferred tax assets | 64,262 | 5,516 | (749) | – | 69,030 |
| Deferred tax liabilities | | | | | |
| Depreciation | 204 | 916 | – | – | 1,120 |
| Undistributed profits at subsidiaries and associates | 20,562 | 3,916 | – | – | 24,479 |
| Financial assets measured at fair value through other comprehensive income | 6,730 | (189) | 2,088 | – | 8,629 |
| Other | 8,919 | 1,925 | – | – | 10,844 |
| Total deferred tax liabilities | 36,417 | 6,568 | 2,088 | – | 45,074 |
| Net amount | 27,845 | (1,051) | (2,837) | – | 23,955 |

(Note) Foreign currency translation differences are included in the amount recognized through profit or loss.

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position consist of the following.

(Millions of yen)

| | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| Deferred tax assets | 32,846 | 30,578 |
| Deferred tax liabilities | 5,000 | 6,622 |
| Net amount | 27,845 | 23,955 |

Deductible temporary differences, net operating loss carry-forwards for tax purposes, and tax credits carryforwards for which no deferred tax asset is recognized are as follows.

(Millions of yen)

| | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| Deductible temporary differences | 42,905 | 41,060 |
| Net operating loss carry-forwards for tax purposes | 73,318 | 90,767 |
| Tax credits carry-forwards | 18,454 | 14,159 |
| Total | 134,678 | 145,987 |

Expiration of net operating loss carry-forwards for tax purposes for which deferred tax assets are not recognized is expected as follows.

(Millions of yen)

| | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| First year | 1,414 | 1,388 |
| Second year | 1,236 | 1,770 |
| Third year | 1,577 | 2,427 |
| Fourth year | 2,162 | 3,452 |
| Fifth year and thereafter | 66,926 | 81,728 |
| Total | 73,318 | 90,767 |

Expiration of tax credits carry-forwards for which deferred tax assets are not recognized is expected as follows.

(Millions of yen)

| | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| First year | 1,234 | – |
| Second year | 2,479 | – |
| Third year | 645 | – |
| Fourth year | – | – |
| Fifth year and thereafter | 14,094 | 14,159 |
| Total | 18,454 | 14,159 |

(2) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Current tax expenses | 30,307 | 29,575 |
| Deferred tax expenses | (9,014) | 878 |
| Total income tax expenses | 21,292 | 30,454 |

The reconciliation between the applicable tax rate and the average actual tax rate consists of the following.

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Applicable tax rate | 30.9% | 30.9% |
| Difference in income tax rates of subsidiaries | (4.3)% | (6.7)% |
| Tax credit for R&D expenses | (3.0)% | –% |
| Undistributed profits at subsidiaries and associates | 6.3% | 10.9% |
| Permanent differences such as entertainment expenses | 1.0% | 2.0% |
| Increase or decrease in temporary differences for which deferred tax assets are not recognized | 15.3% | 7.6% |
| Adjustment for deductible foreign taxes | –% | 5.0% |
| Other | (1.0)% | (0.5)% |
| Average actual tax rate | 45.2% | 49.2% |

(Note) The increase or decrease in temporary differences for which deferred tax assets are not recognized in the fiscal years ended March 31, 2025 and 2026 include the impact of impairment losses on property, plant and equipment and intangible assets in the North, Central and South America segment.

The applicable tax rate was calculated as follows based on income, inhabitant and enterprise taxes in Japan.

(%)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Applicable tax rate | 30.9 | 30.9 |

(3) Global minimum tax rules

In Japan, where the Company is domiciled, the Income Inclusion Rule (IIR), a component of the global minimum tax rules, was implemented effective April 1, 2024. Under this rule, if the tax burden in the countries where the subsidiaries are located falls below the minimum rate of 15%, the Company will be subject to top-up taxation.

As there was no material impact on income tax expenses for the current fiscal year, no current tax expenses attributable to Pillar Two were recognized.

In accordance with IAS 12 “Income Taxes,” the Company has applied a temporary exception under which deferred tax assets and liabilities related to Pillar Two income taxes are not recognized or disclosed.

## 15. Trade and Other Payables

Trade and other payables consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Trade notes and accounts payable | 184,593 | 183,083 |
| Electronically recorded obligations - trade | 9,381 | 7,644 |
| Lease liabilities | 23,095 | 11,072 |
| Other | 17,798 | 22,269 |
| Total | 234,869 | 224,070 |

## 16. Bonds and Borrowings

Bonds and borrowings consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) | Average interest rate (%) | Repayment due |
|---|---|---|---|---|
| Short-term borrowings | 10,787 | 24,335 | 3.74 | – |
| Current portion of long-term borrowings | 10,000 | 10,000 | 0.17 | – |
| Corporate bonds | 40,000 | 40,000 | – | – |
| Long-term borrowings | 106,531 | 115,000 | 0.77 | March 2029 - November 2035 |
| Total | 167,319 | 189,335 | – | – |
| Current liabilities | 20,787 | 34,335 | – | – |
| Non-current liabilities | 146,531 | 155,000 | – | – |
| Total | 167,319 | 189,335 | – | – |

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2026.
The repayment due is based on the balance at the end of the fiscal year ended March 31, 2026.
Rates, etc., for corporate bonds are indicated in the detailed schedule of corporate bonds.

Detailed schedule of corporate bonds

(Millions of yen)

| Company name | Name | Issuance date | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) | Interest rate (%) | Collateral | Maturity date |
|---|---|---|---|---|---|---|---|
| Toyota Boshoku Corporation | 5th unsecured straight bonds | December 7, 2017 | 10,000 | 10,000 | 0.330 | None | September 17, 2027 |
| Toyota Boshoku Corporation | 6th unsecured straight bonds | December 15, 2022 | 10,000 | 10,000 | 0.439 | None | December 15, 2027 |
| Toyota Boshoku Corporation | 7th unsecured straight bonds | October 19, 2023 | 10,000 | 10,000 | 0.578 | None | October 19, 2028 |
| Toyota Boshoku Corporation | 8th unsecured straight bonds | October 19, 2023 | 10,000 | 10,000 | 1.155 | None | October 19, 2033 |

## 17. Leases

(1) Lease transactions as lessee

The Group leases land, buildings and structures, molds and others.

(i) Lease expenses

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Depreciation of right-of-use assets | | |
| Land | 351 | 370 |
| Buildings and structures | 1,710 | 2,124 |
| Machinery and equipment and vehicles | 894 | 1,059 |
| Tools, furniture and fixtures | 40 | 83 |
| Intangible assets | 13 | 7 |
| Total | 3,009 | 3,645 |
| Interest expenses | 57 | 49 |
| Expenses for short-term leases | 105 | 56 |
| Expenses for leases of low-value assets | 6 | 248 |
| Variable lease payments | – | – |

(ii) Sublease income

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Sublease income | 14,589 | 38,255 |

Cost of sales for subleases is included in “Cost of sales” in the consolidated statement of income.

(iii) Total cash outflow for leases

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Total cash outflow for leases | 33,159 | 43,091 |

(iv) Gains or losses arising from sale and leaseback transactions

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Gains or losses arising from sale and leaseback transactions | – | – |

(v) Carrying amount of right-of-use assets

| | Land | Buildings and structures | Machinery and equipment and vehicles | Tools, furniture and fixtures | Intangible assets | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2024 | 6,884 | 4,573 | 1,553 | 140 | 130 | 13,283 |
| As of March 31, 2025 | 6,540 | 4,297 | 2,104 | 133 | 107 | 13,181 |
| As of March 31, 2026 | 7,012 | 5,453 | 2,043 | 126 | 114 | 14,748 |

Increase of right-of-use assets for the fiscal years ended March 31, 2025 and 2026 are 14,639 million yen and 30,026 million yen, respectively.

(vi) Lease liabilities

Maturity analysis of lease liabilities is provided in "30. Financial Instruments, (5) Liquidity risk management."

The balance of lease liabilities is included in "Trade and other payables" and "Other financial liabilities" in the consolidated statement of financial position. Lease liabilities included in "Trade and other payables" are lease transactions for molds, and the payment period is mainly two years. For these mold transactions, sublease contracts are implemented, and the amount of minimum sublease payments receivable under the sublease contracts is equal to the balance of finance lease receivables in (2) Lease transactions as lessor.

(2) Lease transactions as lessor

Finance lease transactions

The Group leases molds and others.

(i) Lease income

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Selling profit or loss | 2,638 | 6,416 |
| Finance income | – | – |
| Variable lease payments | – | – |

(ii) Finance lease receivables

Maturity analysis of lease receivables based on finance leases consists of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Within one year | 25,374 | 18,803 |
| Over one year but within two years | 6,094 | 4,406 |
| Over two years but within three years | 868 | 1,357 |
| Over three years but within four years | 412 | 722 |
| Over four years but within five years | 24 | 570 |
| Over five years | 286 | 261 |
| Total | 33,061 | 26,124 |
| Unearned finance income | – | – |
| Finance lease receivables | 33,061 | 26,124 |

The balance of lease receivables is included in "Trade and other receivables" in the consolidated statement of financial position. These leases are lease transactions for molds, and the collection period is mainly two years. There is no residual value after the lease term.

Operating lease transactions

The Group leases land, buildings and structures, machinery and equipment and vehicles, and others.

Maturity analysis of lease payments based on operating lease transactions is as follows.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Within one year | 335 | 385 |
| Over one year but within two years | 312 | 349 |
| Over two years but within three years | 295 | 303 |
| Over three years but within four years | 251 | 288 |
| Over four years but within five years | 240 | 287 |
| Over five years | 2,400 | 4,512 |
| Total | 3,837 | 6,127 |

Lease income is mainly rental income, and is stated in "25. Other Income and Other Expenses."

## 18. Provisions

The breakdown and changes of provisions are as follows.

(Millions of yen)

| | Warranty provision | Other | Total |
|---|---|---|---|
| As of April 1, 2024 | 4,699 | 730 | 5,430 |
| Increase during period | 3,402 | 13 | 3,416 |
| Decrease during period (intended use) | (908) | – | (908) |
| Decrease during period (reversal) | (22) | (30) | (52) |
| Interest expense over the discount period | – | – | – |
| Exchange differences on translation of foreign operations | (16) | (1) | (17) |
| Other | – | – | – |
| As of March 31, 2025 | 7,155 | 713 | 7,868 |
| Increase during period | 22,529 | 7 | 22,536 |
| Decrease during period (intended use) | (2,602) | (13) | (2,615) |
| Decrease during period (reversal) | (1) | – | (1) |
| Interest expense over the discount period | – | – | – |
| Exchange differences on translation of foreign operations | 560 | 5 | 566 |
| Other | 1,466 | – | 1,466 |
| As of March 31, 2026 | 29,107 | 712 | 29,820 |

The principal factor contributing to changes during the current fiscal year was market actions (recalls).

For warranty provision, some or all of the expenditure is expected to be reimbursed by agreement with suppliers. The expected amount of reimbursements was 1,395 million yen and 132 million yen as of March 31, 2025 and 2026, respectively, and is included in “Trade and other receivables.”

## 19. Other Current Liabilities

Other current liabilities consist of the following.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| (Other current liabilities) | | |
| Accrued consumption taxes | 5,074 | 8,851 |
| Accrued expenses | 54,004 | 61,684 |
| Accrued bonuses | 17,065 | 18,798 |
| Accrued paid absences | 20,121 | 21,757 |
| Advances received | 6,712 | 7,484 |
| Other | 1,674 | 2,690 |
| Total | 104,653 | 121,267 |

## 20. Employee Benefits

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans, lump-sum retirement benefit plans, and defined contribution pension plans as retirement benefit plans.

The amount of benefits under the defined benefit corporate pension plans and lump-sum retirement benefit plans is determined based on points earned by employees for each year of service, the number of years of service and other terms.

To provide for future benefits, the Company and certain consolidated subsidiaries make contributions for defined benefit corporate pension plans based on actuarial calculations using an estimated rate of wages and salaries, operating them as funded plans. In addition, these plans are operated by a pension fund that is legally separate from the Company in compliance with relevant laws and regulations. The board of this pension fund and the entrusted pension management institution are required by laws and regulations to behave in a way that gives utmost priority to the interest of plan participants, and they assume the responsibility for managing plan assets based on the investment policy. Corporate pension funds fall under the category of related parties.

As an unfunded plan, the Company also has an unfunded plan for which the Company has obligations to pay benefits at the due date.

(1) Defined benefit plans

(i) Risks related to defined benefit plans

The Group is exposed to various risks in relation to defined benefit plans. Major risks are as follows. The Group is not exposed to significant concentration risk in relation to plan assets.

| | |
|---|---|
| Fluctuations of plan assets | Investments in equity instruments, debt instruments, etc. are exposed to risk of fluctuations. |
| Changes in interest rates on corporate bonds | A decline in market yield of corporate bonds will be partially offset by a rise in value of bonds held by plans, but will increase defined benefit obligations. |

Present value of defined benefit obligations and fair value of plan assets are as follows.

(ii) Changes in present value of defined benefit obligations

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Balance of defined benefit obligations at beginning of period | 97,794 | 93,118 |
| Service cost | 4,734 | 4,177 |
| Interest cost | 1,761 | 2,257 |
| Actuarial gains and losses (demographic) | 1,422 | 11 |
| Actuarial gains and losses (financial) | (7,827) | (8,788) |
| Actuarial gains and losses (revised results) | (143) | (433) |
| Past service cost | 20 | (41) |
| Benefits paid | (4,537) | (4,442) |
| Exchange differences on translation of foreign operations | (33) | 467 |
| Others | (72) | – |
| Balance of defined benefit obligations at end of period | 93,118 | 86,325 |

(Note) Service cost and interest cost are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(iii) Changes in fair value of plan assets

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Balance of plan assets at beginning of period | 56,628 | 58,234 |
| Interest income | 998 | 1,406 |
| Income from plan assets other than interest | (47) | 2,953 |
| Pension contributions of the Group | 2,448 | 2,522 |
| Benefits paid | (1,687) | (1,729) |
| Exchange differences on translation of foreign operations | (106) | 111 |
| Other | – | 6 |
| Balance of plan assets at end of period | 58,234 | 63,505 |

(Note) Interest income is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(iv) Reconciliation of balances of defined benefit obligations and plan assets

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Present value of defined benefit obligations of funded plans | 35,815 | 33,929 |
| Fair value of plan assets | 58,234 | 63,505 |
| Subtotal | (22,419) | (29,576) |
| Present value of defined benefit obligations of unfunded plans | 57,303 | 52,396 |
| Net amount of defined benefit obligations and plan assets | 34,884 | 22,820 |
| Effect of asset ceiling | 19,832 | 28,927 |
| Amounts in the consolidated statement of financial position | | |
| Retirement benefit liability | 55,075 | 52,137 |
| Retirement benefit asset (Note) | 358 | 388 |
| Defined benefit liabilities recognized in the consolidated statement of financial position | 54,716 | 51,748 |

(Note) Retirement benefit asset is included in "Other non-current assets" in the consolidated statement of financial position.

Investment policy

The Group's investment policy for the plan assets of its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio including investments such as equity instruments, debt instruments, and insurance contracts.

Considering the funded status of the pension plans and surrounding economic environment for investments, the Group's investment strategy may be revised as needed.

Moreover, the Group continuously monitors and pays extra attention to the diversification of risks relevant to strategies and investment managers for the purpose of risk control and, thereby, pursues efficiencies in investment.

Major components of plan assets

Fair values of plan assets as of March 31, 2025 and 2026 are as follows.

FY2025 (As of March 31, 2025)

(Millions of yen)

| Category | Items with published market value in an active market | Items with no published market value in an active market | Total |
|---|---|---|---|
| Commingled funds (domestic) | – | 15,181 | 15,181 |
| Commingled funds (overseas) | – | 21,197 | 21,197 |
| Insurance contracts (Note) | – | 11,312 | 11,312 |
| Other | 1,423 | 9,120 | 10,543 |
| Total | 1,423 | 56,810 | 58,234 |

(Note) Insurance contracts principally include life insurance general account for which the principal and expected interest rate are guaranteed.

FY2026 (As of March 31, 2026)

(Millions of yen)

| Category | Items with published market value in an active market | Items with no published market value in an active market | Total |
|---|---|---|---|
| Commingled funds (domestic) | – | 16,676 | 16,676 |
| Commingled funds (overseas) | – | 22,910 | 22,910 |
| Insurance contracts (Note) | – | 12,414 | 12,414 |
| Other | 1,603 | 9,899 | 11,503 |
| Total | 1,603 | 61,901 | 63,505 |

(Note) Insurance contracts principally include life insurance general account for which the principal and expected interest rate are guaranteed.

(v) Reconciliation of effect of asset ceiling

Changes in effect of asset ceiling for the fiscal years ended March 31, 2025 and 2026 are as follows.

An unrecognized surplus has arisen in some pension plans of the Group, from which economic benefits cannot be used because future contributions will not be reduced or refunded.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Balance of effect of asset ceiling at beginning of period | 16,375 | 19,832 |
| Interest relating to effect of asset ceiling | 237 | 459 |
| Remeasurements<br>Change in effect of asset ceiling | 3,218 | 8,635 |
| Balance effect of asset ceiling at end of period | 19,832 | 28,927 |

(vi) Actuarial assumptions

The major items of actuarial assumptions as of each fiscal year-end are as follows.

(%)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Discount rate | 2.44 | 3.43 |

(vii) Sensitivity analysis

Changes in the key assumptions may affect the measurement of defined benefit obligations as follows. This analysis shows the sensitivity to the key assumptions without taking into account all information of projected cash flow, based on the premise that assumptions other than those analyzed remain constant.

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Discount rate: Decreased by 0.5% | Increase of 5,461 million yen | Increase of 4,300 million yen |
| Discount rate: Increased by 0.5% | Decrease of 5,314 million yen | Decrease of 4,714 million yen |

(viii) Information on future cash flows

Contributions to defined benefit plans of the Group expected in the fiscal year ending March 31, 2027 are as follows.

(Millions of yen)

| Period | Amount |
|---|---|
| From April 1, 2026 to March 31, 2027 | 3,677 |

Weighted-average duration of defined benefit obligations is as follows.

(Years)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Weighted-average duration | 15.0 | 14.8 |

(ix) Information on matching of assets and liabilities

In the case of funded plans, the Group matches assets and liabilities through long-term investments in line with obligations based on the pension scheme. Mainly corporate pension funds of each company actively monitor how duration and expected yield of investments correspond to expected cash outflows arising from pension obligations, and this risk management process has not been changed from the fiscal year ended March 31, 2025.

(2) Defined contribution pension plan

The amount recognized as expenses related to the defined contribution pension plan is as follows. Welfare insurance premiums are accounted for in the same way as the defined contribution plan and included in employee benefits expenses.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Amount recognized as expenses related to the defined contribution pension plan | 3,288 | 3,428 |

(3) Employee benefit expenses

Employee benefit expenses included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income are as follows.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Employee benefit expenses | 354,483 | 366,308 |

## 21. Equity and Other Equity Items

Consolidated companies make capital investments and investments in research and development, etc. to enhance corporate value through growth on a global basis. In order to meet such demand for funds, the Group conducts capital management taking into account appropriate balance of debt and equity associated with financing.

In addition, the Group aims for the equity ratio of approximately 50% in 2030, as announced in the Mid-term Business Plan for 2030.

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Total equity attributable to owners of the parent (millions of yen) | 447,420 | 485,256 |
| Total assets (millions of yen) | 1,094,831 | 1,182,385 |
| Ratio of equity attributable to owners of the parent (%) | 40.9 | 41.0 |

(1) Share capital and capital surplus

The Companies Act in Japan (hereinafter, the "Companies Act") stipulates that no less than half of the contribution for issuing shares shall be incorporated into share capital, and the remaining amount shall be incorporated into capital reserve, which is included in capital surplus. Moreover, the capital reserve may be incorporated into share capital by a resolution of the General Meeting of Shareholders under the Companies Act.

Changes in the number of shares authorized, the number of shares issued, and the balance of share capital, etc. are as follows.

| | Number of shares authorized (shares) | Number of shares issued (shares) | Share capital (millions of yen) | Capital surplus (millions of yen) |
|---|---|---|---|---|
| Balance as of April 1, 2024 | 500,000,000 | 187,665,738 | 8,400 | 3,095 |
| Increase (decrease) | – | – | – | 149 |
| Balance as of March 31, 2025 | 500,000,000 | 187,665,738 | 8,400 | 3,245 |
| Increase (decrease) | – | – | – | 94 |
| Balance as of March 31, 2026 | 500,000,000 | 187,665,738 | 8,400 | 3,339 |

(Note) All shares issued by the Company are common shares, which have no restrictions on the content of rights and no par value. All issued shares are fully paid.

(2) Treasury shares

Changes in the number and balance of treasury shares consist of the following.

| | Number of shares (shares) | Amount (millions of yen) |
|---|---|---|
| Balance as of April 1, 2024 | 9,152,908 | 21,515 |
| Increase (decrease) | (129,391) | (304) |
| Balance as of March 31, 2025 | 9,023,517 | 21,211 |
| Increase (decrease) | (17,478) | (41) |
| Balance as of March 31, 2026 | 9,006,039 | 21,170 |

(Note) Increases (decreases) during the fiscal years ended March 31, 2025 and 2026 were mainly due to the disposal of restricted stock compensation and the purchase of shares less than one unit.

(3) Retained earnings

The Companies Act stipulates that one tenth of the amount paid as dividend of surplus shall be accumulated as capital reserve or retained earnings reserve until the total amount of capital reserve and retained earnings reserve reaches one fourth of capital. Accumulated retained earnings reserve may be appropriated to compensate for losses. Moreover, retained earnings reserve may be reduced by a resolution of the General Meeting of Shareholders.

## 22. Dividends

Dividends paid for the fiscal years ended March 31, 2025 and 2026 consist of the following.

| Resolutions | Class of shares | Source of dividends | Total dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors meeting held on April 26, 2024 | Common shares | Retained earnings | 7,676 | 43.00 | March 31, 2024 | May 27, 2024 |
| Board of Directors meeting held on October 31, 2024 | Common shares | Retained earnings | 7,676 | 43.00 | September 30, 2024 | November 26, 2024 |
| Board of Directors meeting held on April 25, 2025 | Common shares | Retained earnings | 7,681 | 43.00 | March 31, 2025 | May 26, 2025 |
| Board of Directors meeting held on October 31, 2025 | Common shares | Retained earnings | 7,682 | 43.00 | September 30, 2025 | November 26, 2025 |

Of dividends with a record date in the fiscal year ended March 31, 2026, the total amount of those for which the effective date falls in the following fiscal year is as follows.

| Resolutions | Class of shares | Source of dividends | Total dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors meeting held on April 28, 2026 | Common shares | Retained earnings | 7,682 | 43.00 | March 31, 2026 | May 28, 2026 |

## 23. Revenue

The Group mainly engages in manufacture and sale of automotive components, and satisfies performance obligations and recognizes revenues at the time of customer acceptance. Amounts of consideration do not contain any significant financial components, and are generally paid within three months from the time of satisfying performance obligations. While revenues recorded based on provisional unit prices mainly fall under variable consideration, such consideration is insignificant.

In addition, the Company promises to provide products that meet a level of quality required by customers.

(1) Disaggregation of revenues

FY2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia | Europe and Africa | Total |
| Revenue recognized from contracts with customers | 847,962 | 483,972 | 219,736 | 269,372 | 115,438 | 1,936,481 |
| Revenue recognized from other sources | 15,408 | – | 2,329 | – | – | 17,737 |
| Total | 863,370 | 483,972 | 222,065 | 269,372 | 115,438 | 1,954,218 |

FY2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia | Europe and Africa | Total |
| Revenue recognized from contracts with customers | 853,283 | 537,656 | 197,782 | 285,145 | 120,698 | 1,994,567 |
| Revenue recognized from other sources | 37,900 | – | 4,595 | – | – | 42,496 |
| Total | 891,184 | 537,656 | 202,377 | 285,145 | 120,698 | 2,037,063 |

Revenue recognized from other sources is mainly lease income based on IFRS 16.

(2) Contract balances

Contract balances of the Group consist of the following.

FY2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

| | As of March 31, 2024 | As of March 31, 2025 |
|---|---|---|
| Receivables from contracts with customers | | |
| Trade notes and accounts receivable | 209,071 | 226,945 |
| Electronically recorded monetary claims - trade | 22,098 | 21,745 |
| Contract liabilities | 12,254 | 6,882 |

FY2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Receivables from contracts with customers | | |
| Trade notes and accounts receivable | 226,945 | 243,110 |
| Electronically recorded monetary claims - trade | 21,745 | 21,474 |
| Contract liabilities | 6,882 | 7,645 |

(Note) Contract liabilities are included in “Other current liabilities” in the consolidated statement of financial position.

Of revenue recognized in the fiscal years ended March 31, 2025 and 2026, the amount included in the balance of contract liabilities is as follows. There was no revenue amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years.

(Millions of yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Of revenue recognized the amount included in the balance of contract liabilities | 12,254 | 6,882 |

The Group does not disclose information on remaining performance obligations whose original expected duration is one year or less, as it applies the practical expedient in paragraph 121 of IFRS 15, Revenue from Contracts with Customers.

Furthermore, in consideration arising from contracts with customers, there is no significant amount that is not included in transaction price.

## 24. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Freight expenses | 10,172 | 10,122 |
| Employee benefit expenses | 56,246 | 56,393 |
| Depreciation and amortization | 10,704 | 12,165 |
| Research and development expenses | 10,979 | 7,855 |
| Claim expenses | 3,736 | 22,578 |
| Miscellaneous expenses | 16,689 | 13,752 |
| Other | 27,941 | 28,661 |
| Total | 136,469 | 151,529 |

(Change in Presentation)

“Claim expenses,” which were included in “Other” in the previous fiscal year, are presented separately from the current fiscal year due to their increased materiality. To reflect this change in presentation, 31,677 million yen previously presented as “Other” in Notes to Consolidated Financial Statements for the previous fiscal year has been reclassified as “Claim expenses” of 3,736 million yen and “Other” of 27,941 million yen.

## 25. Other Income and Other Expenses

Other income and other expenses consist of the following.

Other income

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Rental income | 693 | 478 |
| Gain on sale of fixed assets | 2,079 | 526 |
| Other | 4,851 | 6,533 |
| Total | 7,623 | 7,538 |

Other expenses

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Depreciation | 462 | 408 |
| Impairment losses | 32,208 | 3,671 |
| Loss on net monetary position | 1,939 | 2,365 |
| Other | 3,348 | 3,020 |
| Total | 37,960 | 9,465 |

(Note) Impairment losses for the current fiscal year are mainly due to recognition of impairment of property, plant and equipment in the North, Central and South America segment. Details of such expenses are described in the notes "4. Significant Accounting Estimates and Judgments."

## 26. Finance Income and Finance Expenses

Finance income and finance expenses consist of the following.

Finance income

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 7,448 | 7,980 |
| Gains (losses) on foreign currency translation | – | 290 |
| Other | 226 | 180 |
| Total | 7,674 | 8,451 |

Finance expenses

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Interest expenses | | |
| Financial liabilities measured at amortized cost | 1,568 | 2,058 |
| Gains (losses) on foreign currency translation | 3,239 | – |
| Other | 345 | 446 |
| Total | 5,153 | 2,504 |

## 27. Earnings per Share

Basis of calculation for basic earnings per share and diluted earnings per share are as follows.

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Basis of calculation for basic earnings per share | | |
| Profit attributable to owners of the parent (millions of yen) | 16,719 | 23,271 |
| Weighted-average number of common shares outstanding (thousands of shares) | 178,528 | 178,594 |
| Basic earnings per share (yen) | 93.65 | 130.30 |
| Basis of calculation for diluted earnings per share | | |
| Profit for the period used for calculation of diluted earnings per share (millions of yen) | 16,719 | 23,271 |
| Weighted-average number of common shares outstanding (thousands of shares) | 178,528 | 178,594 |
| Increase in common shares due to transfer-restricted share-based payment plan (thousands of shares) | 33 | 49 |
| Weighted-average number of diluted common shares outstanding (thousands of shares) | 178,562 | 178,643 |
| Diluted earnings per share (yen) | 93.63 | 130.27 |

## 28. Other Comprehensive Income

Amount incurred during the period and reclassification adjustments to profit or loss, as well as tax effect, by component of other comprehensive income consist of the following.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| (Items that will not be reclassified to profit or loss) | | |
| Remeasurements of defined benefit plans | | |
| Amount incurred during the period | 3,126 | 1,749 |
| Reclassification adjustments | – | – |
| Before tax effect | 3,126 | 1,749 |
| Tax effect | (1,045) | (749) |
| Net of tax effect | 2,080 | 1,000 |
| Net change in fair value of equity instruments measured at fair value through other comprehensive income | | |
| Amount incurred during the period | (3,327) | 6,039 |
| Reclassification adjustments | – | – |
| Before tax effect | (3,327) | 6,039 |
| Tax effect | 1,028 | (2,089) |
| Net of tax effect | (2,299) | 3,949 |
| Share of other comprehensive income of investments accounted for using equity method | | |
| Amount incurred during the period | (115) | 50 |
| Reclassification adjustments | – | – |
| Before tax effect | (115) | 50 |
| Tax effect | – | – |
| Net of tax effect | (115) | 50 |

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| (Items that may be reclassified to profit or loss) | | |
| Exchange differences on translation of foreign operations | | |
| Amount incurred during the period | (3,214) | 27,414 |
| Reclassification adjustments | (190) | – |
| Before tax effect | (3,405) | 27,414 |
| Tax effect | – | – |
| Net of tax effect | (3,405) | 27,414 |
| Net change in fair value of debt instruments measured at fair value through other comprehensive income | | |
| Amount incurred during the period | 0 | (0) |
| Reclassification adjustments | – | – |
| Before tax effect | 0 | (0) |
| Tax effect | (0) | 0 |
| Net of tax effect | 0 | 0 |
| Share of other comprehensive income of investments accounted for using equity method | | |
| Amount incurred during the period | (27) | 793 |
| Reclassification adjustments | (92) | – |
| Before tax effect | (120) | 793 |
| Tax effect | – | – |
| Net of tax effect | (120) | 793 |
| Total other comprehensive income | | |
| Amount incurred during the period | (3,558) | 36,045 |
| Reclassification adjustments | (283) | – |
| Before tax effect | (3,842) | 36,045 |
| Tax effect | (17) | (2,837) |
| Net of tax effect | (3,859) | 33,208 |

## 29. Share-based Payment

The Company has introduced a transfer-restricted share-based payment plan. This plan aims to give incentives for sustainable enhancement of corporate value of the Company to directors of the Company (excluding outside directors; hereinafter, “Eligible Directors”) and to promote further sharing of value between them and shareholders.

Eligible Directors pay all monetary compensation claims provided by the Company under the plan, as properties contributed in kind, and receive issuance or disposal of common shares of the Company. In the issuance or disposal of common shares of the Company under the plan, the Company and Eligible Directors have entered into a transfer-restricted share allocation agreement, containing provisions to the effect (1) that Eligible Directors must not transfer, establish security interest in, or otherwise dispose of common shares of the Company allocated under the transfer-restricted share allocation agreement for a certain period, and (2) that the Company shall acquire the common shares without compensation if any of certain events occur.

Expenses for share-based payment were 40 million yen and 36 million yen for the fiscal years ended March 31, 2025 and 2026, respectively, which are included in “Selling, general and administrative expenses”.

The grant-date fair value is measured based on the closing price of common shares of the Company on the Prime Market, which was the First Section for the previous fiscal year, of the Tokyo Stock Exchange on the business day before the date of resolution of the Board of Directors regarding the share grant. Details of transfer-restricted share granted in the fiscal years ended March 31, 2025 and 2026 are as follows.

| | FY2025<br>(From April 1, 2024<br>to March 31, 2025) | FY2026<br>(From April 1, 2025<br>to March 31, 2026) |
|---|---|---|
| Date of grant | July 10, 2024 | July 9, 2025 |
| Number of shares granted (shares) | 18,639 | 17,766 |
| Grant-date fair value per share (yen) | 2,156.5 | 1,958.5 |

## 30. Financial Instruments

(1) Capital management

The purpose of capital management at the Group is to maintain its ability to continue as a going concern so that it can provide returns to shareholders, provide benefits to other stakeholders, and maintain optimal capital structure to reduce the cost of equity.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, redeem capital to shareholders, issue new shares, or reduce debts by selling assets.

The Group monitors capital based on the ratio of equity attributable to owners of the parent. The ratio of equity attributable to owners of the parent is provided in “21. Equity and Other Equity Items”.

At the Group, each time a Mid-term Business Plan is prepared or reviewed, management monitors and checks these indicators in addition to revenue and investment plans.

The Group is not subject to any material capital restrictions (excluding general provisions of the Companies Act, etc.).

(2) Classification of financial instruments

(Millions of yen)

| | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| Financial assets | | |
| Equity instruments measured at fair value through other comprehensive income | 30,792 | 36,864 |
| Shares | 30,205 | 36,329 |
| Other | 587 | 535 |
| Debt instruments measured at fair value through other comprehensive income | 247 | 248 |
| Financial assets measured at fair value through profit or loss | 1,610 | 1,472 |
| Other | 1,610 | 1,472 |
| Financial assets measured at amortized cost | 560,421 | 606,720 |
| Cash and cash equivalents | 249,721 | 278,507 |
| Trade and other receivables | 290,236 | 297,783 |
| Other | 20,463 | 30,430 |
| Total | 593,072 | 645,306 |
| Financial liabilities | | |
| Financial liabilities measured at fair value through profit or loss | – | – |
| Financial liabilities measured at amortized cost | 414,676 | 426,282 |
| Trade and other payables | 234,869 | 224,070 |
| Bonds and borrowings | 167,319 | 189,335 |
| Deposits payable | 2,588 | 2,803 |
| Other | 9,899 | 10,072 |
| Total | 414,676 | 426,282 |

(Note) Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are included in “Other financial assets” in the consolidated statement of financial position.

(Equity instruments measured at fair value through other comprehensive income)

The Group designates shares held over a long term for the purpose of revenue base expansion through maintaining and reinforcing business relations with investees as equity instruments measured at fair value through other comprehensive income.

Major investees and their fair values and associated dividends of the equity instruments measured at fair value through other comprehensive income included in “Other financial assets” as of March 31, 2025 and 2026 consist of the following.

(i) Major investees and their fair values of equity instruments measured at fair value through other comprehensive income

(Millions of yen)

| | FY2025<br>(As of March 31, 2025) | FY2026<br>(As of March 31, 2026) |
|---|---|---|
| TOYOTA FUDOSAN CO., LTD. | 24,678 | 29,857 |
| Toyota Motor Corporation | 3,250 | 3,928 |
| Synspective Inc. | 386 | 541 |
| TOYOTA-KAI Medical Corporation | 486 | 431 |
| WHILL, Inc. | – | 250 |

(Note) Because stocks are held primarily for strategic investment purposes, they are designated as financial assets measured at fair value through other comprehensive income.

(ii) Dividends income

(Millions of yen)

| | FY2025<br>(From April 1, 2024<br>to March 31, 2025) | FY2026<br>(From April 1, 2025<br>to March 31, 2026) |
|---|---|---|
| Investments derecognized during the period | 0 | 4 |
| Investments held as of the end of the period | 195 | 140 |
| Total | 195 | 145 |

Equity instruments measured at fair value through other comprehensive income disposed of during the period consist of the following.

(Millions of yen)

| FY2025<br>(From April 1, 2024<br>to March 31, 2025) | | FY2026<br>(From April 1, 2025<br>to March 31, 2026) | |
|---|---|---|---|
| Fair value at time of disposal | Cumulative gains (losses) | Fair value at time of disposal | Cumulative gains (losses) |
| 0 | (5) | 717 | 598 |

These assets were disposed of through sale mainly to increase efficiency and promote the effective use of assets in holding. In the fiscal years ended March 31, 2025 and 2026, cumulative profit or loss (net of tax) reclassified from other components of equity to retained earnings was (4) million yen and 408 million yen, respectively.

(3) Financial risk management

The Group is exposed to various risks such as credit risk, liquidity risk, and market risk (foreign currency risk and interest rate risk). As for derivative transactions, the Group’s policy is to use forward exchange contracts, currency swap transactions and interest rate swap transactions to mitigate foreign currency risk associated with assets and liabilities denominated in foreign currencies, as well as interest rate fluctuation risk, and not to conduct any derivative transaction for trading or speculative purposes.

In addition, the Group raises necessary funds according to the capital expenditure plan. Temporary excess funds are invested in highly safe assets, and short-term working capital is financed through bank loans. Liquidity risk related to financing is managed by means of each company’s developing a financing plan on a monthly basis.

(4) Credit risk management

The Group is exposed to credit risk, which is the risk that a counterparty to financial assets in holding defaults on debts and consequently the financial assets become impossible to be recovered. To respond to this risk, in accordance with internal management procedures, the Group conducts due date management and balance management for each business partner at least semi-annually, and assesses the credit status of major business partners. Of the Group’s trade and other receivables as of March 31, 2026, 63.0% is from Toyota Motor Corporation and its subsidiaries. In addition, most of the remaining receivables are from associates of Toyota Motor Corporation.

As for financial assets, the carrying amounts after impairment presented in the consolidated statement of financial position represent the Group’s maximum exposure to credit risk.

With regard to the exposure to this credit risk, there are no properties held as security or other credit enhancements.

Regarding trade receivables, lease receivables, loans receivable, and securities that are debt instruments, if all or part of them cannot be collected or are deemed to be extremely difficult to collect, they are regarded as default.

Trade receivables and lease receivables are mainly from Toyota Motor Corporation and its group companies. As they are highly creditworthy, the credit risk is limited. In addition, there are no significant overdue receivables.

When using derivative transactions, the Group deals with major financial institutions that are highly creditworthy, and recognizes that there is extremely insignificant credit risk.

With regard to trade receivables and lease receivables of debtors who have no significant difficulties in their business conditions, the expected credit loss is measured collectively and allowance for doubtful accounts is recorded, taking into account the past track record of bad debts and other factors.

Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows.

(Millions of yen)

| | FY2025<br>(From April 1, 2024<br>to March 31, 2025) | FY2026<br>(From April 1, 2025<br>to March 31, 2026) |
|---|---|---|
| Balance at beginning of period | 2,180 | 2,031 |
| Increase during period | 54 | – |
| Decrease during period | (182) | (405) |
| Foreign currency translation differences | (21) | 153 |
| Balance at end of period | 2,031 | 1,779 |

(5) Liquidity risk management

The Group procures working capital and funds for capital expenditure through issuance of corporate bonds and borrowings from financial institutions, and is exposed to the risk that it becomes difficult to fulfill obligations related to them, that is liquidity risk. The Group obtains borrowings from financial institutions as appropriate to secure minimum funds on hand in conducting businesses.

In addition, the Company identifies demand for funds of each group company as appropriate, and then prepares funding plans on a monthly basis, and conducts monitoring by means of comparing the plans with daily cash flows to manage liquidity risk.

The amounts of non-derivative financial liabilities and derivative financial liabilities of the Group by remaining contract maturity are as follows.

FY2025 (As of March 31, 2025)

(Millions of yen)

| | | Carrying amount | Within one year | Over one year but within two years | Over two years but within three years | Over three years but within four years | Over four years but within five years | Over five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | | 234,869 | 230,133 | 4,736 | | | | |
| Corporate bonds | | 40,000 | 250 | 250 | 20,219 | 10,147 | 115 | 10,410 |
| Borrowings | | 127,319 | 21,481 | 10,653 | 653 | 20,653 | 20,552 | 57,390 |
| Lease liabilities | | 9,071 | 2,341 | 789 | 479 | 585 | 329 | 4,545 |
| Deposits payable | | 2,588 | 2,588 | | | | | |
| Total | | 413,848 | 256,794 | 16,429 | 21,353 | 31,386 | 20,997 | 72,346 |
| Derivative financial liabilities | | | | | | | | |
| Currency and interest rate swaps | Income | | | | | | | |
| | Expenditure | – | | | | | | |
| Total | | – | – | – | – | – | – | – |

FY2026 (As of March 31, 2026)

(Millions of yen)

| | | Carrying amount | Within one year | Over one year but within two years | Over two years but within three years | Over three years but within four years | Over four years but within five years | Over five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | | 224,070 | 219,964 | 4,106 | | | | |
| Corporate bonds | | 40,000 | 250 | 20,219 | 10,147 | 115 | 10,410 | – |
| Borrowings | | 149,335 | 34,856 | 521 | 20,521 | 20,419 | 20,366 | 55,493 |
| Lease liabilities | | 9,448 | 2,598 | 905 | 521 | 659 | 241 | 4,521 |
| Deposits payable | | 2,803 | 2,803 | | | | | |
| Total | | 425,658 | 260,473 | 25,752 | 31,189 | 21,194 | 31,018 | 60,014 |
| Derivative financial liabilities | | | | | | | | |
| Currency and interest rate swaps | Income | | | | | | | |
| | Expenditure | – | | | | | | |
| Total | | – | – | – | – | – | – | – |

The amount of “Trade and other payables” due in over one year but within two years represents lease liabilities for molds.

(6) Market risk management

(i) Foreign currency risk management

The Group engages in business globally, and therefore conducts transactions in foreign currencies and is exposed to the risk that profit or loss, cash flow and others will be affected by exchange rate fluctuations.

As for derivative transactions, the Group utilizes currency swaps and others to alleviate foreign exchange risk. Execution and management of derivative transactions are mainly implemented in accordance with internal management procedures, and the status of transactions is regularly reported to the director in charge of accounting of the Company. In addition, when using derivative transactions, the Group deals with major financial institutions that are highly creditworthy, and recognizes that there is extremely insignificant credit risk.

Exchange rate sensitivity analysis

Sensitivity analysis of the Group's foreign currency risk exposure (net amount) is as follows.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| U.S. dollar | (254) | (366) |
| Euro | (25) | (77) |
| Chinese renminbi | (79) | (65) |
| Thai baht | (25) | (20) |

For the fiscal years ended March 31, 2025 and 2026, impacts on profit before income taxes in the case where the Japanese yen appreciates by 1% against the above foreign currencies were as indicated above. This analysis is based on the assumption that all other variables are constant.

(ii) Interest rate risk

The Group pays interest accrued in connection with procurement of working capital and funds needed for capital expenditure in implementing business activities. If borrowings with floating interest rates are obtained, the amount of interest is affected by fluctuations in market interest rates, and therefore the Group is exposed to interest rate risk that future cash flows of the interest fluctuate. As for long-term borrowings with floating interest rates whose purpose is raising funds for capital expenditure, etc., the Group has entered into interest rate swap contracts with financial institutions for setting floating interest rates for interest received and fixed interest rates for interest paid, and receiving and paying the difference, in order to curb a rise in interest payment caused by an increase in interest rates. As a result, substantially fixing the interest rates on long-term borrowings helps stabilize future cash flows of interest and enables mitigation of interest rate risk. Accordingly, the Group's exposure to interest rate risk is limited, and effects of fluctuations in interest rates are insignificant.

(iii) Price fluctuation risk of equity financial instruments

The Group holds listed shares of companies with business relationships and is exposed to price fluctuation risk of equity financial instruments. The Group constantly reviews the status of its holdings of these financial instruments, taking into account relationships with and financial conditions of business partners.

The Group does not hold equity financial instruments for short-term trading purposes and does not actively trade these investments.

If the Group assumes a 1% decline in the prices of listed shares held by the Group for the fiscal years ended March 31, 2025 and 2026, decreases in other comprehensive income (before adjusting tax effect) would have been 40 million yen and 44 million yen, respectively.

Moreover, because the shares held by the Group are designated as equity instruments measured at fair value through other comprehensive income, the assumed 1% rise or drop of share prices will not have a significant impact on profit or loss.

Liquidity discounts are an important unobservable input used to measure the fair value of unlisted shares and other equity securities. A significant increase (decrease) of these discounts will cause a significant decrease (increase) in fair value.

(7) Carrying amount and fair value of financial instruments

(i) Method of fair value measurement

Fair values of financial assets and financial liabilities are determined as follows. In the estimation of fair value of financial instruments, market prices are used when they are available. Fair value of financial instruments whose market prices are not available is estimated by the method of discounting future cash flows, or other appropriate valuation methods.

(ii) Fair value by category of financial instruments

Fair values of financial assets and financial liabilities measured at amortized cost consist of the following. Because the fair value of financial assets and financial liabilities that are settled in a short period of time approximates their carrying amount, the fair value is deemed to be equal to the carrying amount and is therefore not disclosed. Financial instruments measured at fair value are disclosed in “(2) Classification of financial instruments.”

Corporate bonds are measured based on market prices.

Since short-term borrowings are settled in a short period of time, the fair value approximates the carrying amount. Therefore, carrying amounts are used for their fair values. Long-term borrowings are calculated with present value obtained by discounting future cash flows with the expected interest rate when newly undertaking similar borrowings.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | | FY2026 (As of March 31, 2026) | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds and borrowings | 167,319 | 163,055 | 189,335 | 181,832 |

The fair value hierarchy of financial liabilities measured at amortized cost is Level 2.

(iii) Fair value hierarchy

For financial instruments measured at fair value, fair value measurements are classified into Level 1 to Level 3 according to observability and significance of inputs used for the measurement.

The classifications from Level 1 to Level 3 are provided in “3. Material Accounting Policies, (21) Fair value measurements”.

The Group recognizes transfers of assets and liabilities between levels at the end of the reporting period in which it carried out the transfer. In the fiscal years ended March 31, 2025 and 2026, there was no transfer between levels

FY2025 (As of March 31, 2025)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity instruments measured at fair value through other comprehensive income | 4,080 | – | 26,712 | 30,792 |
| Listed shares | 4,080 | | | 4,080 |
| Unlisted shares | | | 26,124 | 26,124 |
| Other | | | 587 | 587 |
| Debt instruments measured at fair value through other comprehensive income | – | – | 247 | 247 |
| Financial assets measured at fair value through profit or loss | – | – | 1,610 | 1,610 |
| Other | | | 1,610 | 1,610 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | – |
| Derivatives | | – | | – |

FY2026 (As of March 31, 2026)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity instruments measured at fair value through other comprehensive income | 4,470 | – | 32,393 | 36,864 |
| Listed shares | 4,470 | | | 4,470 |
| Unlisted shares | | | 31,858 | 31,858 |
| Other | | | 535 | 535 |
| Debt instruments measured at fair value through other comprehensive income | – | – | 248 | 248 |
| Financial assets measured at fair value through profit or loss | – | – | 1,472 | 1,472 |
| Other | | | 1,472 | 1,472 |
| Financial liabilities measured at fair value through profit or loss | – | – | – | – |
| Derivatives | | – | | – |

Fair values of derivatives are measured based on prices provided mainly by financial institutions.

The Group uses the modified book value method when measuring fair values of unlisted shares and investments in capital. In addition, fair values of insignificant investments are calculated using the book value method. The illiquidity discount, which is an unobservable input, is 30%.

Fair value is measured by the accounting department in accordance with the evaluation policy and procedures of the Group, using the evaluation model that can most appropriately reflect individual characteristics, features and risks of financial instruments. Moreover, changes are continuously examined for important indicators which affect fluctuations of fair value.

For financial assets and financial liabilities measured at fair value on a recurring basis, an increase or decrease in such assets and liabilities that are classified as Level 3 in the fair value hierarchy is as follows.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | | | FY2026 (From April 1, 2025 to March 31, 2026) | | |
|---|---|---|---|---|---|---|
| | Equity instruments measured at fair value through other comprehen-sive income | Debt instruments measured at fair value through other comprehen-sive income | Financial assets measured at fair value through profit or loss | Equity instruments measured at fair value through other comprehen-sive income | Debt instruments measured at fair value through other comprehen-sive income | Financial assets measured at fair value through profit or loss |
| Balance at beginning of period | 28,344 | 251 | 1,414 | 26,712 | 247 | 1,610 |
| Purchase | 282 | | 355 | 699 | | 6 |
| Profit or loss (Note 1) | | | (47) | | | (133) |
| Other comprehensive income (Note 2) | (1,905) | 0 | | 4,982 | (0) | |
| Sales and repayment | (1) | (3) | (112) | (3) | | (10) |
| Foreign currency translation differences | (8) | (0) | | 2 | 1 | |
| Other | 1 | | | (0) | | |
| Balance at end of period | 26,712 | 247 | 1,610 | 32,393 | 248 | 1,472 |

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss. These gains and losses are included in “Finance income” and “Finance expenses” in the consolidated statements of income.

(Note 2) Gains and losses included in other comprehensive income are those for financial assets measured at fair value through other comprehensive income. These gains and losses are included in “Net change in fair value of equity instruments measured at fair value through other comprehensive income” or “Net change in fair value of debt instruments measured at fair value through other comprehensive income” on the consolidated statement of comprehensive income.

(8) Offsetting of financial assets and financial liabilities

The following information pertains to the offsetting of financial assets and financial liabilities recognized against the same business partners for the fiscal years ended March 31, 2025 and 2026.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Financial assets | | |
| Trade and other receivables | 24,912 | 26,924 |
| Financial liabilities offset (Note) | 23,073 | 24,839 |
| Financial assets on the consolidated statement of financial position | 1,839 | 2,084 |
| Financial liabilities | | |
| Trade and other payables | 68,787 | 69,658 |
| Financial assets offset (Note) | 23,073 | 24,839 |
| Financial liabilities on the consolidated statement of financial position | 45,714 | 44,818 |

(Note) These assets and liabilities are related to subcontract processing with charged materials.

**31. Non-cash Transactions**

The details of non-cash transactions are as follows.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Right-of-use assets acquired through leases | 14,639 | 30,026 |

## 32. Changes in Liabilities Arising from Financing Activities

Changes in the balances of liabilities arising from financing activities are as follows.

FY2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

| | Short-term borrowings | Long-term borrowings | Corporate bonds | Lease liabilities | Total |
|---|---|---|---|---|---|
| Balance as of April 1, 2024 | – | 115,000 | 50,000 | 51,849 | 216,849 |
| Changes from financing cash flows | 11,020 | 1,574 | (10,000) | (33,049) | (30,454) |
| Acquisition of right-of-use assets | – | – | – | 14,639 | 14,639 |
| Foreign currency translation difference and others | (232) | (43) | – | (1,272) | (1,549) |
| Balance as of March 31, 2025 | 10,787 | 116,531 | 40,000 | 32,166 | 199,485 |

FY2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

| | Short-term borrowings | Long-term borrowings | Corporate bonds | Lease liabilities | Total |
|---|---|---|---|---|---|
| Balance as of April 1, 2025 | 10,787 | 116,531 | 40,000 | 32,166 | 199,485 |
| Changes from financing cash flows | 12,219 | 8,503 | – | (42,784) | (22,061) |
| Acquisition of right-of-use assets | – | – | – | 30,026 | 30,026 |
| Foreign currency translation difference and others | 1,328 | (34) | – | 1,112 | 2,406 |
| Balance as of March 31, 2026 | 24,335 | 125,000 | 40,000 | 20,521 | 209,856 |

**33. Related Parties**

(1) Related party transactions

Details of significant transactions conducted between the Group and related parties are as follows.

FY2025 (From April 1, 2024 to March 31, 2025)

(Millions of yen)

| Category | Company name | Transactions | Transaction amounts | Outstanding balance |
|---|---|---|---|---|
| Entity with significant influence over the Group | Toyota Motor Corporation and its subsidiaries | Sales of automotive components | 1,422,366 | 270,207 |
| | | Purchase of automotive components | 139,567 | 26,994 |

FY2026 (From April 1, 2025 to March 31, 2026)

(Millions of yen)

| Category | Company name | Transactions | Transaction amounts | Outstanding balance |
|---|---|---|---|---|
| Entity with significant influence over the Group | Toyota Motor Corporation and its subsidiaries | Sales of automotive components | 1,489,792 | 187,616 |
| | | Purchase of automotive components | 135,294 | 23,895 |

Conditions of transactions and determination policies

For prices and other conditions of transactions for sales of automotive components, the Group offers prices based on consideration of market price, total costs incurred, etc. of the products, and negotiates prices and conditions individually.

For prices and other conditions of transactions for purchase of automotive components, the Group negotiates prices and conditions individually based on prices and other conditions offered.

(2) Management personnel compensation

Compensation to directors and Audit & Supervisory Board members of the Company is as follows.

(Millions of yen)

| | FY2025 (From April 1, 2024 to March 31, 2025) | FY2026 (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Basic compensation | 357 | 364 |
| Bonuses | 115 | 121 |
| Share-based payment | 40 | 34 |
| Total | 513 | 521 |

## 34. Commitments

Commitments related to expenditures subsequent to the reporting date are as follows.

(Millions of yen)

| | FY2025 (As of March 31, 2025) | FY2026 (As of March 31, 2026) |
|---|---|---|
| Contractual commitments for the acquisition of property, plant and equipment | 18,952 | 13,409 |
| Contractual commitments for the acquisition of intangible assets | 1,850 | 3,383 |

## 35. Hyperinflation adjustment

During the six months ended September 30, 2018, the Group determined that its subsidiary in Argentina, whose functional currency is the Argentine peso, was operating in a hyperinflationary economy. This conclusion was based on the national wholesale price index for Argentina, which indicated that the cumulative three-year inflation rate in the country exceeded 100%. Therefore, in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies," the financial statements of the subsidiary have been restated into the measuring unit current at the end of the reporting period and are included in the current fiscal year's consolidated financial statements.

For the purpose of adjusting the financial statements of its subsidiary in Argentina, the Group uses conversion factors calculated from the Consumer Price Index (CPI) of Argentina published by Federación Argentina de Consejos Profesionales de Ciencias Económicas (Argentine Federation of Professional Councils of Economic Sciences, FACPCE).

The CPIs and corresponding conversion factors since July 2003 are as follows.

| Date of Statement of Financial Position | Consumer price index | Conversion factor |
|---|---|---|
| July 31, 2003 | 100.0 | 690.275 |
| March 31, 2004 | 106.1 | 650.361 |
| March 31, 2005 | 115.1 | 599.515 |
| March 31, 2006 | 127.7 | 540.525 |
| March 31, 2007 | 136.2 | 506.865 |
| March 31, 2008 | 157.6 | 437.946 |
| March 31, 2009 | 168.8 | 409.041 |
| March 31, 2010 | 192.1 | 359.363 |
| March 31, 2011 | 217.0 | 318.115 |
| March 31, 2012 | 244.8 | 281.941 |
| March 31, 2013 | 276.8 | 249.340 |
| March 31, 2014 | 348.2 | 198.232 |
| March 31, 2015 | 400.9 | 172.185 |
| March 31, 2016 | 542.6 | 127.208 |
| March 31, 2017 | 661.5 | 104.355 |
| March 31, 2018 | 829.5 | 83.220 |
| March 31, 2019 | 1,283.4 | 53.783 |
| March 31, 2020 | 1,890.0 | 36.522 |
| March 31, 2021 | 2,687.3 | 25.686 |
| March 31, 2022 | 4,117.0 | 16.766 |
| March 31, 2023 | 8,487.4 | 8.133 |
| March 31, 2024 | 34,492.9 | 2.001 |
| March 31, 2025 | 52,054.3 | 1.326 |
| March 31, 2026 | 69,027.5 | 1.000 |

For the subsidiary in Argentina, non-monetary items such as property, plant, and equipment presented at cost are adjusted using conversion factors based on the acquisition date.

Monetary and non-monetary items presented at current cost are not adjusted, since they are considered to be presented in the measuring unit current at the end of the reporting period.

The effect of inflation on net monetary position is presented in other expenses in the statement of income.

Additionally, the statements of income and cash flows of the subsidiary in Argentina for the fiscal years ended March 31, 2025 and 2026, have been restated using the conversion factors listed in the table above.

The financial statements of the subsidiary in Argentina are translated at the exchange rate at the end of the fiscal year and are reflected in the consolidated financial statements of the Group.

## 36. Subsequent Events

Not applicable.