(Translation)

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(Securities code: 7203; Prime Market of the Tokyo Stock Exchange and Premier Market of the Nagoya Stock Exchange)

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Q&A Summary of the First-Quarter Financial Results Briefing for Investors for FY2027

Toyota Motor Corporation held a briefing for investors on our first-quarter financial results for the fiscal year ending March 31, 2027, on Tuesday, August 4, 2026.
This document summarizes the main questions raised by attendees during the briefing and our responses to those questions. To facilitate understanding, certain portions have been edited or supplemented, and the content is presented in summary form.

The presentation materials for the first-quarter financial results for the fiscal year ending March 31, 2027 are also available. Please refer to the link below.
https://global.toyota/en/ir/financial-results

Date & Time	August 4, 2026 (Tuesday), 4:00 p.m. – 5:00 p.m. (Japan)
Format	Online
Speakers	Takanori Azuma, Chief Officer, Accounting Group Hiroyuki Ueda, Chief Officer, External & Public Affairs Group

Questions and Answers

Q1. Please evaluate first-quarter operating income. Also, could you explain the impact of special factors, including unrealized gains and losses, the review of BEV development projects, tariff impacts, and whether IEEPA refunds are included? In addition, please explain each factor underlying the full-year forecast.

A. (Takanori Azuma)
Although there were various changes in the operating environment during the first quarter, we were able to deliver results close to the previous year's level. I believe this reflects the efforts made across our workplaces to respond quickly to changing conditions, including measures to mitigate the impact of the situation in the Middle East.

In particular, exports to the Middle East normally amount to approximately 500,000 vehicles annually. We had initially expected the volume impact to be approximately -50%. However, through initiatives such as diversifying logistics routes, we now expect the impact to be limited to around -25% from September onward. We were able to implement these preparations thoroughly during the first quarter.

On the other hand, rising material prices, which are difficult for us to control, have had a significant impact on earnings, and we expect this impact to continue into the second half of the fiscal year.

The impact of unrealized gains and losses was approximately -250 billion yen. This relates to inventories that remain within the consolidated group, including inventories in transit on ships, which have not yet been recognized as sales to parties outside the consolidated group. These are accounted for as consolidation adjustments. The amount is calculated by multiplying profit per vehicle by the number of vehicles in inventory, and is deducted from operating income as a consolidation adjustment. Compared with the previous year, operating income per vehicle has increased significantly due to foreign exchange effects, resulting in a larger consolidation adjustment.

Regarding U.S. tariffs, although not in full, we have incorporated the impact including IEEPA refunds. The impact of the review of BEV development projects has been fully reflected in the first-quarter financial results. The amount is included within the 190 billion yen decrease in "Other" under "Increase or Decrease in Expenses and Expense Reduction Efforts." Discussions with suppliers will begin from this point, and the actual impact will depend on how the relevant assets and resources are ultimately utilized. Accordingly, we have recognized the full amount as a provision at this stage. We will subsequently reverse portions of the provision as appropriate. Since this represents the maximum potential amount and discussions with suppliers regarding payments are still to come, we would prefer not to disclose the specific amount.

Q2. How did U.S. tariffs affect year-on-year performance, including the impact of IEEPA-related refunds and existing U.S. tariffs?

A. (Takanori Azuma)
At the beginning of the fiscal year, we projected the annual impact of U.S. tariffs at 1.38 trillion yen. We now expect that impact to be reduced by 70 billion yen. We would like to refrain from disclosing the specific first-quarter figure.

SQ. Can we understand that the first-quarter results include IEEPA refunds?

A. (Takanori Azuma)
Yes.

Q3. Regarding China, it appears that production has been revised downward by approximately 100,000 units. How do you assess current market conditions in China? In addition, Lexus Electrified Shanghai is scheduled to begin operations in 2027. Since it will be a wholly owned subsidiary rather than an equity-method affiliate, its importance will increase. Do you believe you can remain competitive in the current market environment?

A. (Takanori Azuma)
At present, the passenger vehicle market is running at approximately 80% of the previous year's level. Conventional vehicles are at approximately 66%, while Toyota is at approximately 72%. Within the conventional vehicle market, we believe we are competing reasonably well. Nevertheless, the overall market contraction has been significant and affected

our first-quarter performance.

Going forward, we need to enhance the competitiveness of not only conventional vehicles but also BEVs. We intend to work closely with our local partners, including through joint development, to strengthen our competitiveness.

For the full-year forecast, although we have increased our consolidated vehicle sales forecast by 100,000 units, we have not changed our forecast for Toyota and Lexus retail vehicle sales. We will continue to closely monitor market developments and assess their impact from the second quarter onward.

A. (Hiroyuki Ueda)
Preparations for Lexus Electrified Shanghai are progressing steadily and remain on track. There has been no change in our policy of launching operations as early as possible and establishing manufacturing and sales operations that are firmly rooted in the local market.

Q4. Could you explain the risks and opportunities underlying your 3.4 trillion yen operating income forecast? On the downside, there are the earthquake in Kyushu and the delay in the RAV4 launch. On the upside, are developments in the Middle East and U.S. tariffs positive factors?

A. (Takanori Azuma)
Foreign exchange has had a positive impact based on actual exchange rates. On the other hand, rising material prices—particularly for memory and aluminum—have had a short-term negative impact.

Regarding the Middle East, we export approximately 500,000 to 600,000 vehicles annually to the region. Because shipping via the Cape of Good Hope doubles lead times, we had initially assumed that around half of these exports would be affected. We have continued exporting through alternative ports and have expanded our logistics routes. As a result, whereas we had initially assumed transportation capacity would remain at 50%, we now expect it to recover to approximately 75% from September onward.

In May, we explained that our underlying earning power was approximately 5 trillion yen, excluding the impacts of the Middle East situation and U.S. tariffs. Even in the face of these external factors, we are carrying out company-wide initiatives to overcome them through our own efforts. We are advancing cost reduction activities, carefully reviewing capital expenditures, and placing considerable emphasis on cost discipline, which is also a key topic of discussion at our executive meetings.

Even after taking foreign exchange fluctuations into account, we aim to achieve our operating income forecast of 3.4 trillion yen. The impact of the 2026 Kumamoto Earthquake has not been incorporated into the forecast. However, we believe it is covered by the risk allowance for potential production stoppages that we maintain throughout the fiscal year.

Q5. What was the rationale behind announcing a 1 trillion yen share repurchase program, including market purchases? I understand that an ROE of 20% serves as a kind of North Star for the Company, but I believe there could also be communication based on a shorter-term perspective. Could you explain your thinking?

A. (Takanori Azuma)
We announced the share repurchase program with the intention of providing appropriate returns to shareholders while taking into account conditions in the equity market.

In addition, Toyota shares are held by a broad range of investors, including individual shareholders. Beyond investment funds, many people also hold Toyota shares through their pension assets. We therefore would like to provide appropriate returns to everyone who holds Toyota shares.

With ROE of 20%, on the denominator side, we have substantially reduced our policy-held shares over the past several years. As we continue to review our policy-held shareholdings, we will also consider the appropriate balance of share repurchases and dividends.

On the numerator side, we will first increase hybrid production capacity. In addition, we will expand value chain profits and advance Group-wide initiatives to accelerate robotics efforts.

Q6. Regarding the balance between material costs and pricing for the fiscal year ending March 2027, you have increased your forecast for material costs. How do you intend to respond through your pricing strategy? I believe your full-year forecast had already incorporated price revisions of slightly more than 400 billion yen. U.S. OEMs have commented that vehicle price increases in the U.S. are likely to become even more significant. Given Toyota's strong HEV lineup, it appears you have room to recover these costs through pricing. Could you share your view?

A. (Takanori Azuma)

The impact of higher material costs, including measures to strengthen our supplier base, is approximately 1.3 trillion yen. We intend to recover roughly half of that through price revisions.

We do not intend to pass these costs on to customers all at once. Rather, we will continue to carefully consider both the timing and the level of price revisions. Since the effects of price revisions also carry over into the following year, we will closely monitor their effectiveness and respond accordingly.

SQ. When you say that roughly half can be recovered through price revisions, does that mean you already have visibility on recovering approximately half of the 1.3 trillion yen?

A. (Takanori Azuma)

The 1.3 trillion yen includes costs associated with strengthening our supplier base. The impact attributable to higher material costs alone is approximately 1.2 trillion yen, and we would like to recover roughly half of that through price revisions.

Q7. Could you discuss your business strategy in Asia? Chinese BEV manufacturers continue to expand aggressively in Southeast Asia. I do not think Toyota can rely solely on HEVs. Toyota has also introduced several BEV models in ASEAN recently. Could you explain the objective behind this strategy and how you intend to compete with Chinese manufacturers?

A. (Takanori Azuma)

Chinese manufacturers continue to introduce a significant number of new models. Rather than looking at Asia as a single region, we believe it is important to assess each **market** individually.

Toyota has a long-established sales network across Asia. By leveraging that network and emphasizing the advantages of our QDR—quality, durability, and reliability—we intend to strengthen our competitiveness.

We have heard that, in some cases, dealerships that previously represented Japanese manufacturers have switched to Chinese brands. Even in such an environment, we intend to maintain our network and continue highlighting our strengths.

We will also make full use of financial products, including residual value financing, and adopt successful sales approaches from other regions. By carefully analyzing the differences between Chinese manufacturers and ourselves, we will better communicate the value of our products to customers. In particular, we intend to capitalize on our strength in pickup trucks.

Our initiatives differ from market to market. We are also introducing various measures to retain customers after their initial purchase, including sales of accessories and replacement parts, as well as developing T-OPT as a second brand. Once customers leave, it takes time to win them back. Accordingly, customer retention is a key priority, and we are taking a comprehensive approach across Asia.

Q8. In the United States, higher crude oil prices have accelerated demand for hybrid vehicles. At the same time, Toyota faces capacity constraints, meaning that although Toyota created this market, its growth rate has lagged behind competitors. From the standpoint of earnings, how is this strong demand contributing to Toyota's profitability? Given that unit sales are unlikely to increase significantly, are you in a favorable position with respect to price revisions? More broadly, could you discuss your strategy going forward in light of this strong demand?

A. (Takanori Azuma)

Toyota has maintained its market share in the United States. Inventory days remain low, and as a result, our incentive levels are lower than those of our competitors, while inventory turnover remains high.

We are expanding battery production capacity during 2027 and 2028, and we will continue our efforts to fully capture customer demand.

Q9. Given that Toyota follows a progressive dividend policy and already allocates approximately 1 trillion yen annually to dividends, this share repurchase represents a significant commitment of capital. What was the rationale for choosing share repurchases?

A. (Takanori Azuma)

With respect to share repurchases, including market purchases, we have sought the views of investors and shareholders on how best to return capital to them. We have confirmed that there are a variety of needs, including returns through share repurchases as well as stable and continuous dividend increases. Accordingly, rather than relying on a single approach, we would like to provide shareholder returns through a combination of measures.

We will continue our dialogue with the stock market and review our initiatives as appropriate.

Q10. I understand that there are limits to the level of detail you can disclose at this briefing, but it is difficult to gauge the magnitude of the one-time factors. Could you give us an indication of the overall scale of one-time items this quarter, such as the costs associated with the review of BEV development projects, IEEPA tariff refunds, and the impact of the deconsolidation of Hino?

A. (Takanori Azuma)

Looking at the three-month bridge analysis, the impact of the BEV project review is included within the 190 billion yen decrease in "Other" under "Other" shown on Slide 7 of the financial results announcement's presentation.

Below labor costs, depreciation expenses, and R&D expenses, there is an item labeled "Other expenses, etc." showing a decrease of 60 billion yen. This includes both the costs related to the BEV project review and the impact of U.S. tariffs.

We would appreciate your understanding that we are unable to disclose the amount attributable to each individual item, as we would like to avoid figures being taken out of context and interpreted independently.

Regarding the impact of the deconsolidation of Hino, this is included in other income. As disclosed on Slide 6, total other income amounts to 900.3 billion yen. Of this, approximately 600 billion yen relates to the sale of Toyota Industries shares. In addition, approximately 300 billion yen reflects foreign exchange gains on U.S. dollar-denominated assets held by overseas subsidiaries. Together, these account for approximately 900 billion yen.

In addition, the impact of Hino no longer being part of the Group and the gain on the sale of ARCHION shares largely offset each other, and these are also included in this line item. Furthermore, as ARCHION is now accounted for using the equity method, the related impact is reflected as a positive contribution under the share of profit (loss) of investments accounted for using the equity method.

SQ. With respect to the 60 billion yen decrease in "Other expenses, etc." under "Changes in expenses / Cost reduction efforts" in operating income, can we understand that this includes these various items? In other words, if we add together the review of BEV development projects, the IEEPA refunds, and the deconsolidation of Hino, is it fair to say that the overall scale of these one-time factors was roughly a negative 100 billion yen, and therefore not particularly large?

A. (Takanori Azuma)

The impact of Hino's deconsolidation is included in the negative 5.9 billion yen under "Other" on Slide 7.

As I mentioned earlier, "Other expenses, etc." under "Changes in expenses / Cost reduction efforts" includes the impact of U.S. tariffs, the review of development projects, as well as quality-related expenses and expenses related to provisions.

Q11. China appears to have performed better than expected. I understand that profits in China are driven mainly by exports, but despite Toyota and Lexus sales volumes declining by more than 30%, profitability appears to have remained relatively high. Was this due to foreign exchange effects, profit contributions other than export vehicle sales, or perhaps value chain profits? Could you explain why profitability has been maintained despite the significant decline in sales?

A. (Takanori Azuma)

Profit from investments accounted for using the equity method declined. At GAC Toyota, lower sales volumes and a weaker sales mix had a significant impact on sales performance. At FAW Toyota as well, sales of high-margin models declined.

As for our consolidated subsidiaries, profits include exports from Japan, such as Lexus vehicles, although these were also affected by lower sales of models such as the ES.

Even under these circumstances, we are implementing initiatives that will enable us to compete successfully in the Chinese market. Going forward, we will continue our efforts to mitigate the negative impacts as much as possible.

Q12. How did you determine the 1 trillion yen amount for the share repurchase? My question is intended to better understand how your capital return strategy may evolve going forward.

A. (Takanori Azuma)

We have recently been accelerating the sale of policy-held shares, and we determined that the proceeds should be returned to shareholders through share repurchases.

Net liquid assets and shareholders' equity have also continued to accumulate. Although we executed share repurchases totaling more than 3 trillion yen in connection with the tender offer for Toyota Industries shares, we will still be able to maintain net liquid assets of approximately 11 trillion yen.

We intend to maintain a level of liquidity sufficient to ensure business continuity for both Toyota and our suppliers. At the same time, we also took into consideration an amount that would have a meaningful impact on the market, which led us to set the share repurchase amount at 1 trillion yen.

Q13. Could you explain your thinking regarding your North American production structure? From an outside perspective, there still appears to be uncertainty, including the review of the USMCA. Production capacity is being expanded in the United States, while it remains unclear what will happen to the capacity in Mexico following the transfer of Tacoma production. Could you explain the discussions that have taken place to date and

how you envision your North American production structure evolving going forward?

A. (Takanori Azuma)

We continue to place great importance on the principle of local production, local procurement, and local sales.

When vehicles are produced in Mexico and shipped to the United States, logistics costs and tariff impacts become significant. Taking into account which vehicles—such as trucks and compact cars—should be produced at which locations, we announced the changes relating to Tacoma. Going forward, we will continue to review our production structure while also considering the business impact, including product mix.

Each production site has its own employees and supplier network. Therefore, our management decisions will take into account not only short-term measures but also the medium- to long-term impact on our overall production footprint.

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