

Value creation story

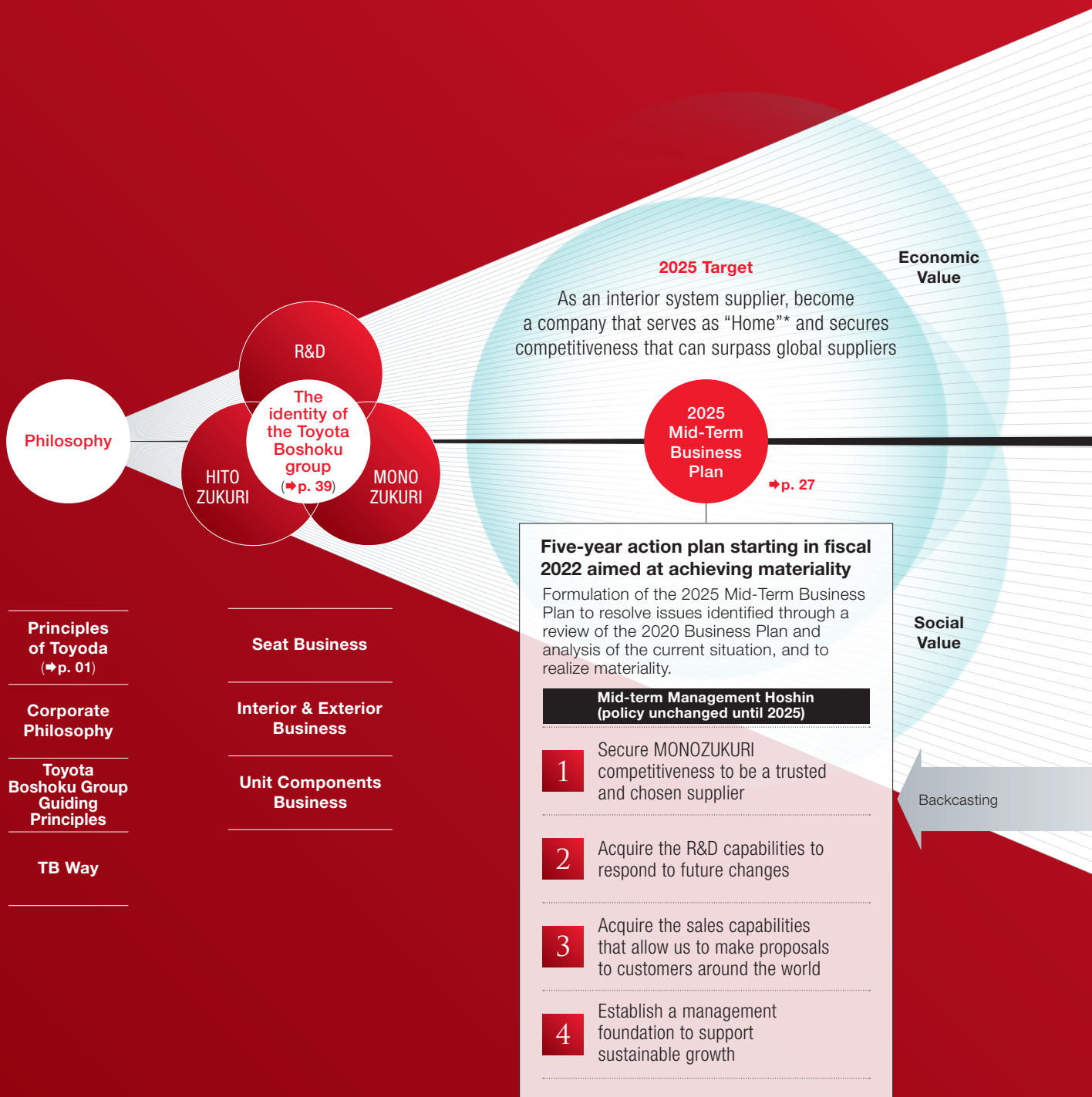
Putting sustainability at the core of management

- 19 Value creation process
- 21 Sustainability management
- 23 Materiality
- 25 Initiatives to achieve the 2050 Environmental Vision
- 27 2025 Mid-Term Business Plan
- 29 Mid-term Management Hoshin (Policy)
- 33 Follow-up through KPIs
- 35 Strengthening monitoring of KPIs



To realize our Vision, we have drawn up our desired status for 2030 and we will steadily implement plans.

In order to realize our Vision and be the company we aim to become, the Toyota Boshoku group has clarified its materiality (the approach we adopt to resolve the important issues we have identified to be prioritized through our business operations from among a variety of social issues), as well as our 2025 target and our desired status for 2030. Then, in 2020, we formulated the 2025 Mid-Term Business Plan, an action plan to achieve this materiality. We will implement this plan while maximizing our underlying philosophy and the strengths we have developed over our 100-year history.



* "Home" means a business or region that is capable of creating added value on a *Genchi-Genbutsu* (go, see & study) basis and has competitive advantage compared to competitors.

Looking into the future, we will create tomorrow's automobile interior space that will inspire our customers the world over.

QUALITY OF TIME AND SPACE

Offer "QUALITY OF TIME AND SPACE" in all mobility

Our desired status for 2030

To become a sustainable, leading global company by enhancing corporate value

Creating new value as an Interior Space Creator

Materiality

→ p. 23

Vision

The Toyota Boshoku group defines as our materiality the identification of important issues to be resolved through our business operations from among a variety of social issues and the approach we adopt to resolve them.

Issues Relating to Safety, Environment, and Comfort to Resolve through Our Business Operations

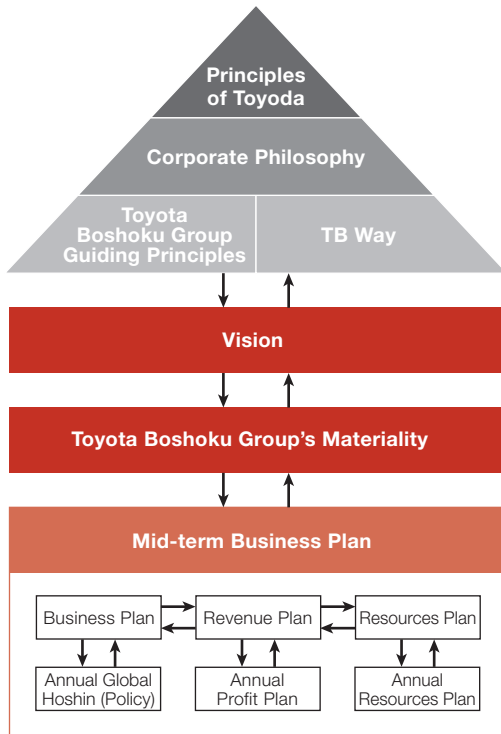
- 1 As an Interior Space Creator, we will contribute to people's quality of life, creating comfort, safety, and reassurance through innovation
- 2 Using our established technical capability, we will contribute to realize a society with no traffic casualties through providing products that assure safety
- 3 Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress

Issues Relating to the People and Organizations that are Our Sources for Exercising Competitiveness

- 4 We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork
- 5 We will continue to be a company of integrity trusted by all our stakeholders, inheriting our tradition of fairness and moral behavior to the next generation

Management framework for enhancing corporate value

Management Concept



Principles of Toyoda

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

Corporate Philosophy

Our philosophy, which has been converted into easily understood phrases in order to ensure that the Principles of Toyoda are widely practiced among our company members and clarified as the value provided to our stakeholders

Toyota Boshoku Group Guiding Principles

A guide to the basic conduct we expect in our business activities

TB Way

Our management beliefs, values, and behavioral principles in concrete terms

Vision

The company we aim to become, based on our values and philosophy

Toyota Boshoku Group's Materiality

In order to realize the Vision, the approach we adopt to resolve the important issues we have identified to be prioritized through our business operations from among a variety of social issues

Mid-term Business Plan

A plan that shows in detail how we will work toward realizing our materiality

Achieving sustainable growth in terms of both social and economic value

In order for the Toyota Boshoku group to realize its Vision and achieve sustainable growth, we believe it is essential to respond to the needs of society and solve social issues, thereby enhancing our social value while at the same time increasing our economic value.

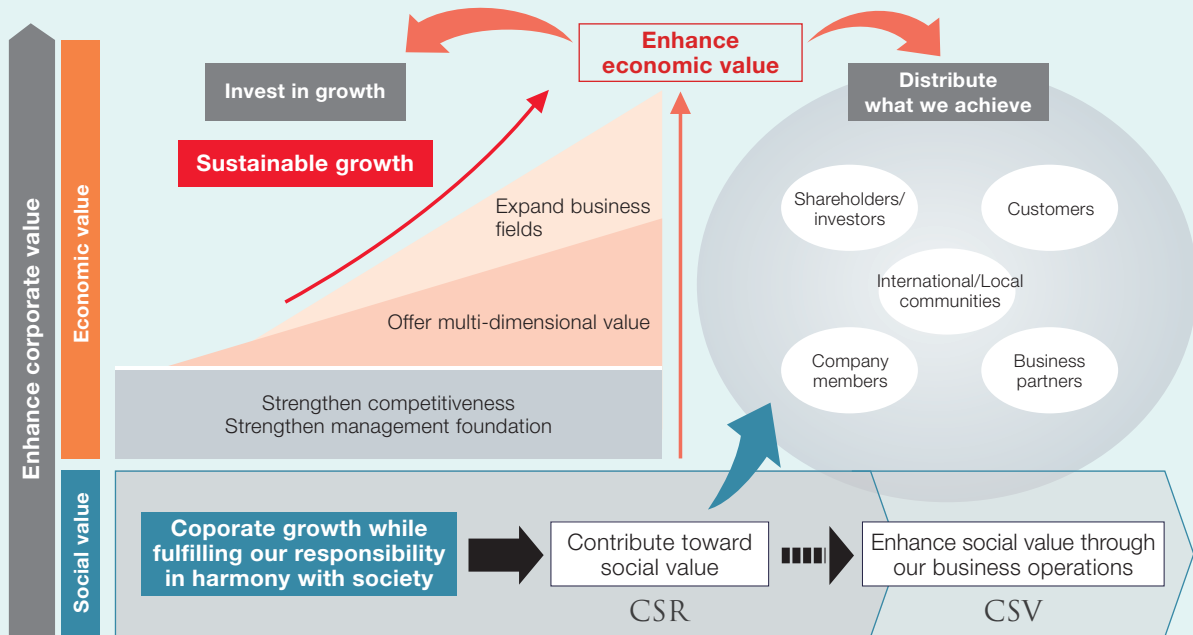
The Toyota Boshoku group has organized this approach as "the management structure we aim to become," and we are striving to offer multi-dimensional value to customers and society and to expand our business fields while strengthening our management foundation and competitive advantage. We aim to enhance our corporate value over the medium to long term by maximizing the economic value generated by our group through our business activities, reinvesting the results for future growth, and returning them to our stakeholders.

Organizing a Business Management Structure and following up on KPI progress

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

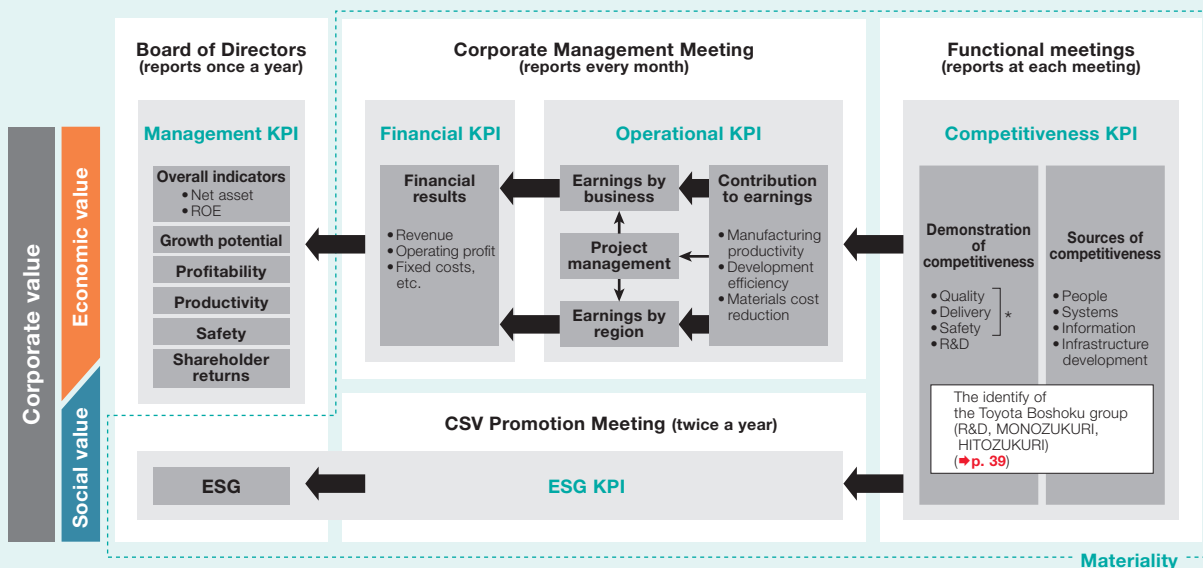
We aim to enhance both economic and social value, and control them with the Management KPI, Financial KPI, Operational KPI, Competitiveness KPI, and ESG KPI.

The management structure we aim to become



To realize the management structure we aim to become

Business Management Structure



Important issues to be prioritized by 2030 and penetration measures by region

Issues relating to safety, environment, and comfort to resolve through our business operations

	Materiality	The meaning and concepts of materiality	Related SDGs
1	<p>As an Interior Space Creator, we will contribute to people's quality of life, creating comfort, safety, and reassurance through innovation</p> <p>Comfortable spaces Promotion of innovation</p>	<p>Toyota Boshoku group has consistently developed its operations "for the world and for people," expanding from textiles into automotive interiors and contributing to the enhancement of safety and reassurance in people's daily lives. We are evolving into an Interior Space Creator, providing products and services such as those employing sensor-based biometric information to achieve comfort, which means enabling people to live with confidence while staying true to themselves (realization of smart cities).</p>	
2	<p>Using our established technical capability, we will contribute to realize a society with no traffic casualties through providing products that assure safety</p> <p>Product safety Reduction of traffic accidents</p> <p>Aging society</p>	<p>To contribute to the ambitious target of a society of "zero traffic casualties," we will continue to offer high-quality, high-safety products (integrated seats, seatbelts, airbags, and other such products) and services that optimize Toyota Boshoku's strengths in R&D that is part of Toyota Boshoku's identity.</p>	
3	<p>Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress</p> <p>Reduction of environmental loads</p> <p>Productivity improvement Climate change</p> <p>Energy and resource conservation</p> <p>Cooperation with business partners</p>	<p>Aiming for a sustainable global environment in which children can live happily with smiles on their faces, we will make effective use of business resources and achieve the targets set out in our 2050 Environmental Vision, including zero CO₂ emissions, zero wastewater from production processes, and minimal volumes of natural resources used and waste produced. To accomplish this, we will work with our business partners to realize innovation and improve productivity in MONOZUKURI (and all manufacturing-related processes), utilizing the latest leading-edge technologies.</p>	

Issues relating to the people and organizations that are our sources for exercising competitiveness

	Materiality	The meaning and concepts of materiality	Related SDGs
4	<p>We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork</p> <p>Ensuring diversity Workstyle innovation</p> <p>Respect for human rights</p> <p>Company-member health and work safety</p>	<p>To continue challenging ourselves to find solutions for the world's problems, we will develop autonomous human resources by bringing together talented individuals from around the world, who understand different ideas and ways of thinking, respect one another, and think together.</p>	
5	<p>We will continue to be a company of integrity trusted by all our stakeholders, inheriting our tradition of fairness and moral behavior to the next generation</p> <p>Governance Compliance</p> <p>Strengthened information security</p> <p>Fair and equitable procurement</p>	<p>To continue being a company that is trusted by all stakeholders and grows together with them, we will continue to practice "ensuring that our corporate activities are fair and transparent," as enshrined in our Corporate Philosophy and the Principles of Toyoda that embody the concepts of Sakichi Toyoda, while "doing what is right" as laid down in the TB Way.</p>	

Putting sustainability at the core of management

Materiality formulation and penetration initiatives

In July 2020, we defined as our materiality the identification of important issues to be prioritized through our business operations from among a variety of social issues and the approach we adopt to resolve them. (→p. 87)

In addition, in order for our company members—the main actors of the initiatives—to understand their meaning and take ownership, we are implementing various penetration measures in each region, centering on the Regional Management & Collaboration Hubs.

Management of materiality progress

In addition to the financial targets established in the 2025 Mid-Term Business Plan, in December 2021 we established ESG KPIs, which measure social value.

The ESG KPIs consist of seven environmental, 10 social, and eight governance items, with a responsible person assigned for each item and targets set for each fiscal year through fiscal 2026, as well as targets set for fiscal 2031.

(→p. 33)

Initiatives for materiality penetration in each region (FY2023 results)

THE AMERICAS

- Sent out TBA Executive Message for Materiality
- Created training tools and started training for all Toyota Boshoku America company members

FY2024 Plans

- Translating training tools into Spanish and Portuguese and starting training in non-English-speaking regions
- Developing and implementing sustainability policy and ESG KPIs



CHINA

- Continued internal dissemination of materiality through Chinese language version of materiality video
- Creating materiality posters and deploying them within the region
- Proactive communication of materiality through PR activities such as motor shows

FY2024 Plans

- Implementing training for new company members
- Implementing surveys to gauge degree of understanding of materiality

JAPAN

- Monthly delivery of messages and quizzes concerning sustainability, including materiality, on the PC startup screen
- Conducting lectures on sustainability, including materiality, in new company member training and position-based training



EUROPE & AFRICA

- Designating every May as "Materiality Month," interactive seminars are held with the participation of all regional entities. The introduction of specific activities stimulates sustainability awareness and action.
- Implementing sustainability management using ESG KPIs within the region

FY2024 Plans

- Review of ESG KPIs within the region to comply with the Corporate Sustainability Reporting Directive (CSRD) introduced in Europe



ASIA & OCEANIA

- Continued viewing of materiality videos at monthly orientations
- Continued display of materiality on all company members' PC screen-savers

FY2024 Plans

- Strengthening penetration activities by utilizing regional CSR meetings



Accelerating environmental management to achieve a sustainable society

In 2016, the Toyota Boshoku group formulated the 2050 Environmental Vision, and we have been striving to conserve and preserve the global environment by working to reduce our environmental impact from various angles.

However, global environmental issues such as climate change, natural resource depletion, and the biodiversity crisis are becoming more serious as each year passes.

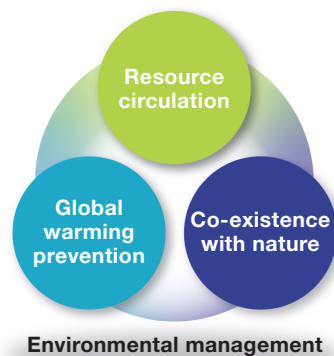
Against this backdrop, in order to further focus on solving environmental issues and contribute to the conservation and preservation of the global environment, we reviewed the Toyota Boshoku group's past activities and our future target, based on the Toyota Boshoku Basic Policy of Biodiversity formulated in 2011, and in July 2023 drew up three priority actions. We aim to further contribute to global environmental conservation by promoting these three key initiatives: measures to prevent global warming in response to climate change, resource circulation in response to the depletion of natural resources, and co-existence with nature in response to the biodiversity crisis.

Additionally, with the formulation of the priority actions, we extended the scope of our activities and revised our Stretch Environmental Goals to Challenge 6. The whole group is working together to address environmental issues through our business activities and contribute to the realization of a sustainable global environment.

Vision

We will work together with all stakeholders with the aim of creating a sustainable global environment where children can lead their lives with a smile.

Priority actions



Challenge 6

Global warming prevention		
1	GHG Net-zero ¹ in the product life cycle	
2	GHG Net-zero in the plant	
Resource circulation		
3	Sustainable resource circulation	
4	Waste minimization	
Co-existence with nature		
5	Water resource impact minimization	
6	Conservation and regeneration of natural capital	

¹ To achieve net zero greenhouse gas emissions

Putting sustainability at the core of management

Initiatives for the TCFD recommendations

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 and reflecting them 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.

	Causes	Risks / Opportunities	Assessment	Actions	Response cost ² (FY2024)
Transition risks and opportunities (1.5 to 2°C³)	Enhancement of climate change policies, including carbon pricing	• Increase in procurement costs by introducing carbon prices, etc.	Risk	• Survey of suppliers (CO ₂ emissions, efforts to reduce CO ₂ emissions, etc.), Promotion of activities for setting CO ₂ emission reduction targets • 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 • Promotion of the introduction of renewable energy • Optimization of logistics (Reduction of CO ₂ emissions associated with transportation through the promotion of local production for local consumption)	4.5 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) ⁵	–
	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	1.3 billion yen
		• Increase in demand for electrified products	Opportunity	• Further planning and development of electrified products	2.9 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 • Increase in sales by developing low-carbon products • Expansion of demand for plant-derived products and lightweight products • Enhancement of competitiveness by developing technology to improve recyclability	Risk Opportunity	• Planning and development of products to further reduce carbon emissions • Planning and development of plant-derived products and lightweight products • Improvement of recyclability and promotion of simple disassembly design	3.2 billion yen
Physical risks and opportunities (4°C⁴)	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 • 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)	–

Commitment to SBT certification

In October 2022, we submitted a commitment letter to SBTi, an organization that certifies Science Based Targets (SBT), which are greenhouse gas emission reduction targets consistent with the levels required by the Paris Agreement, and have made a commitment to working toward obtaining SBT certification.

Participation in the Ministry of Economy, Trade and Industry's GX League

In May 2023, we participated in the Ministry of Economy, Trade and Industry's Green Transformation (GX) League.⁶



Toyota Boshoku joins 30by30 Alliance for Biodiversity

In October 2022, we joined the 30by30⁷ Alliance for Biodiversity led by Japan's Ministry of the Environment, and endorse the Alliance's objectives.



2 The response costs will be updated in accordance with the next mid-term business plan

3 1.5°C scenario: NZE (IEA World Energy Outlook 2021); 2°C scenario: SDS (IEA World Energy Outlook 2021)

4 RCP 8.5 (IPCC 5th Assessment Report)

5 Putting a price on the amount of carbon dioxide emitted by a company in the course of its business

6 A collaborative platform where industry, the government, academia, and financial institutions take on the challenge of rapidly achieving carbon neutrality and promote the transformation of the overall economic and social system, including stakeholders other than themselves

7 The objective is to effectively conserve at least 30% of terrestrial and marine areas as healthy ecosystems toward the goal of halting and restoring biodiversity loss by 2030

Overview of the mid-term business plan and initiatives to achieve goals

The 2025 Mid-Term Business Plan, which began in fiscal 2022, reached its second anniversary in March 2023. Having first reassessed the current situation and fleshed out our 2025 target, we are promoting activities to achieve our goals.

In order to realize our 2025 target, namely, “As an interior system supplier, become a company that serves as ‘Home’* and secures competitiveness that can surpass global suppliers,” we aim to secure a world-leading competitive advantage for each product and become the supplier of choice for customers around the world.

On the other hand, we recognize that there is a gap between our goals and the current situation, in terms of factors such as scope for further improvements in cost and quality, the speed of expanding the fields where we operate as an interior system supplier, and activities to expand sales to non-Japanese auto manufacturers.

Therefore, by rolling out the 2025 Mid-Term Business Plan in December 2022 and clarifying our management issues, based on changes in the environment, we formulated a Mid-term Management Hoshin (policy) to achieve the 2025 Mid-Term Business Plan. The Mid-term Management Hoshin replaces the previous “priority actions,” and will remain unchanged until 2025, with measures tied to each fiscal year.

* “Home” means a business or region that is capable of creating added value on a *Genchi-Genbutsu* (go, see & study) basis and has competitive advantage compared to competitors

Overview of the 2025 Mid-Term Business Plan

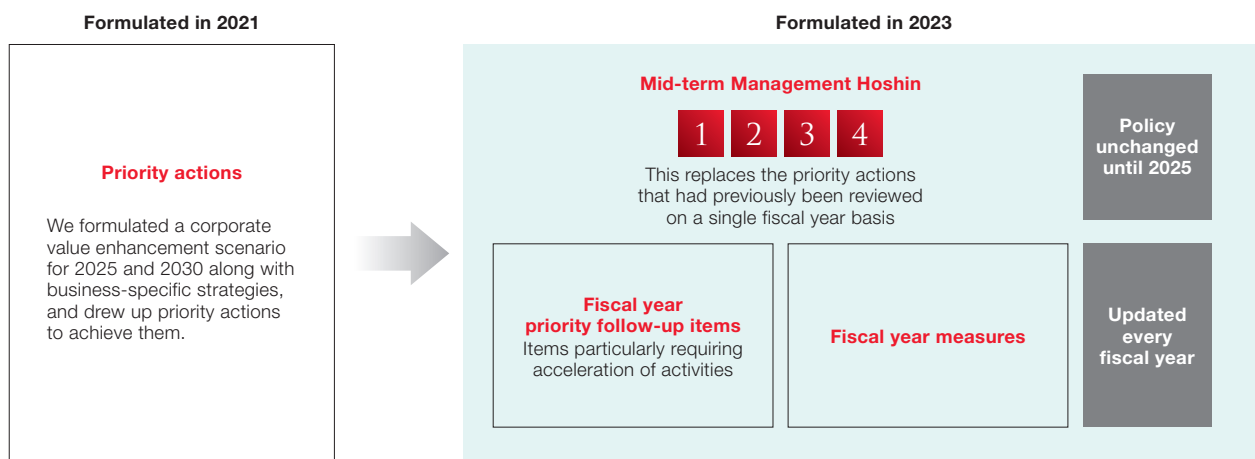
Mid-term Management Hoshin (policy unchanged until 2025)

Details of initiatives

Fiscal year measures (FY2024)

1	Secure MONOZUKURI competitiveness to be a trusted and chosen supplier	→ p. 30	<ul style="list-style-type: none"> • Design and manufacturing quality improvement • Cost planning that outperforms competitors • Reduction of lead time from planning/development to production/delivery
2	Acquire the R&D capabilities to respond to future changes	→ p. 31	<ul style="list-style-type: none"> • Promotion of technology roadmap • Acquisition of technological capabilities as an interior system supplier • Automobile interior space solutions system • Generating the seeds of new business and sowing them in society
3	Acquire the sales capabilities that allow us to make proposals to customers around the world	→ p. 32	<ul style="list-style-type: none"> • Promotion of activities to win orders with our sights on 2030 • Strengthening of proposal capabilities • Gaining the trust of customers
4	Establish a management foundation to support sustainable growth		<ul style="list-style-type: none"> • Decision-making process improvement • Visualization of management information (→ p. 35) • Creating an open workplace culture • Encouraging company members to take on new challenges • Formulation of a human resources portfolio for 2030 • Enhanced disclosure of human capital

Review of 2025 Mid-Term Business Plan



Business strategies

(→ p. 57)

Existing businesses

- (1) Reinforce core businesses and expand sales to new customers
- (2) Raise earning power and promote investments in new growth fields

New businesses

- (1) Respond to the advancement of CASE/MaaS
- (2) Respond to electrification along with market expansion
- (3) Promote new businesses that may serve as our fourth or fifth core businesses

Strategies by region

	Japan	The Americas	China, Asia & Oceania	Europe & Africa	Revenue
Seats	◎	◎	↗	↗	1,120
Interior & Exterior	↗	◎	◎	◎	320
Unit Components	↗	◎	↗	◎	160
Revenue	830	290	400	150	1,600

(billion yen)
Intracompany eliminations (70)

- ↗ **Sales expansion**
- Expand sales in China, Asia & Oceania along with market growth
 - Expand fields in Japan
 - Expand customers in Europe & Africa

- ◎ **Reform of earnings structure**
- Reorganize plants in Japan and The Americas
 - Completely local procurement in China, Asia & Oceania, Europe & Africa

2025 Target

As an interior system supplier, become a company that serves as “Home” and secures competitiveness that can surpass global suppliers

Mid-term Management Hoshin (Policy)

Promotion status of 2025 Mid-Term Business Plan

Below we outline the main initiatives and promotion status of the 2025 Mid-Term Business Plan, which began in fiscal 2022.

Materiality and KPIs

Mid-term Management Hoshin (Policy) (policy unchanged until 2025)	Related materiality	Related main KPIs (▶p. 33)
Secure MONOZUKURI competitiveness to be a trusted and chosen supplier ▶p. 30	<p>③ Reduction of environmental loads</p> <p>Productivity improvement Climate change</p> <p>Energy and resource conservation</p> <p>④ Workstyle innovation</p> <p>Company-member health and work safety</p>	<ul style="list-style-type: none"> ● Production CO₂ emissions reduction ratio ● Waste emissions reduction ratio ● Water consumption reduction ratio ● Total work productivity ratio ● Number of serious accidents involving company members, outside contractors, and visitors ● DX certification
Acquire the R&D capabilities to respond to future changes ▶p. 31	<p>① Comfortable spaces Promotion of innovation</p> <p>② Product safety Reduction of traffic accidents</p> <p>③ Reduction of environmental loads</p>	<ul style="list-style-type: none"> ● Ratio of sales of unit components of electrified products that will lead to minimization of environmental impact ● Rate of new product development leading to Interior Space Creator ● Ratio of vehicles that are expected to use products that contribute to traffic safety ● Number of patent applications ● Number of external presentations and papers
Acquire the sales capabilities that allow us to make proposals to customers around the world ▶p. 32	<p>① Comfortable spaces Promotion of innovation</p> <p>② Product safety</p>	<ul style="list-style-type: none"> ● Ratio of sales to companies other than Toyota Motor Corporation ● Ratio of sales in new business
Establish a management foundation to support sustainable growth	<p>④ Ensuring diversity</p> <p>Company-member health and work safety</p> <p>⑤ Governance Compliance</p> <p>Strengthened information security</p>	<ul style="list-style-type: none"> ● Ratio of female managers ● Health checkup rate ● Degree of implementation of the Toyota Boshoku Group Guiding Principles ● Number of serious cyber security incidents



Securing MONOZUKURI competitiveness to be trusted and selected

Based on the identity of the Toyota Boshoku group, we are working to strengthen our overall MONOZUKURI competitiveness, from planning and design through to manufacturing and logistics in a single integrated process, aiming to achieve a competitive advantage over our competitors by 2025.

For example, we are working to achieve each of the 2030 goals while utilizing digital engineering, including realizing

development and production preparation in a short period of time, improving logistics efficiency, automation of operations, and passing on skills.

In the 100 years since our founding, we have inherited and cultivated this identity of the Toyota Boshoku group comprising R&D, MONOZUKURI and HITOZUKURI, and draw on this as the source for achieving quality, cost and delivery (QCD) that surpasses that of our competitors.

Achieving QCD surpassing competitors

MONOZUKURI innovation based on advanced automation

Response to shortage in labor population



Autonomation of sewing process

2030 target
Processing cost
-40%*

* Effect of autonomation of production lines for all products

Combining voluntary cardboard training with VR: Realizing development and production preparation in a short period of time

Process development using actual-size materials



Simulation of the actual production process reproduced in cardboard

Improve efficiency of production preparation

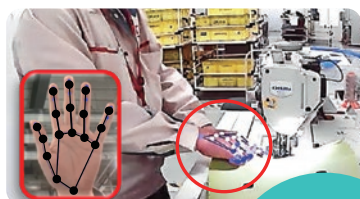


Use of VR to verify workability in 3D

2030 target
Lead time shortened
-30%

Succession of skills by digitization of craftsman's skills

Reduction of the period necessary to master skills

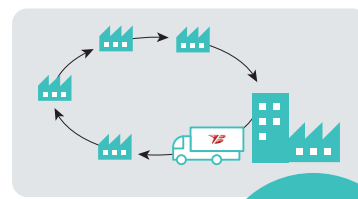


Digitization of know-how

2030 target
Period necessary to master skill
-50%

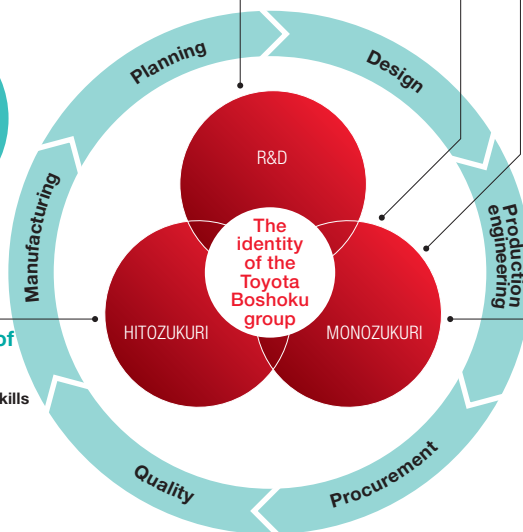
Improving distribution efficiency (white distribution)

Response to driver shortage

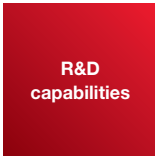


Milk-run logistics

2030 target
Distribution cost
-20%



Based on the "identity of the Toyota Boshoku group" we have cultivated so far, we will realize QCD that surpasses competitors



Acquiring the R&D capabilities to respond to future changes

To realize a comfortable, safe, and secure automobile interior space, we have drawn up a technology roadmap and have clarified the required technology items. As well as accumulating technologies, we will ensure technological superiority by systematically acquiring the technologies and development facilities that we will need in the future.

We will proactively make proposals to our client automakers for items we have developed in line with the

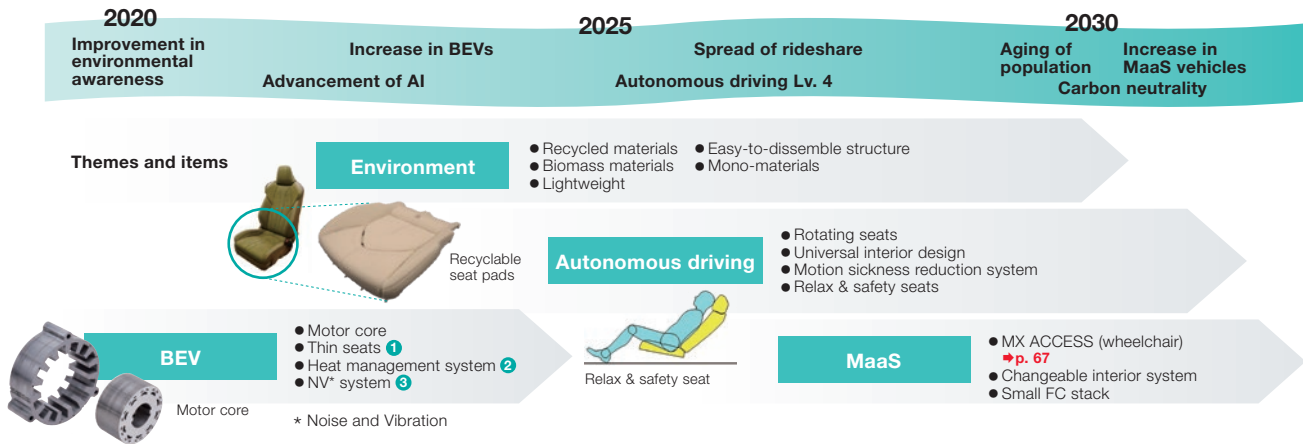
technology roadmap, and reflect in the technology roadmap the knowledge we have gained.

In particular, we will respond quickly to changes in the environment while refining the technology roadmap, with a view to addressing areas including the environment, BEVs, autonomous driving, and MaaS.

We will accelerate development aimed at becoming an Interior Space Creator, based on the technology roadmap.

Technology roadmap

Based on the technology roadmap, accelerate development to become an Interior Space Creator



Developing various items for BEVs, an urgent task

① Thin seat
Seat

By making the seat thinner, secure more interior space and suppress the increase of vehicle height and air resistance

② Next-generation heat management system
Seat Interior

Curb electric power consumption for air conditioning with the combined use of shield headliner and seat ventilation

③ Next-generation NV system
Interior Exterior

Optimize vehicle interior and exterior noise absorption/insulation materials

- Dash inner silencer
- Liner-related
- Deck side trim
- Center rear floor silencer
- Rear wire harness inner silencer
- Frunk
- Tonneau board
- Motor cover
- Carpet silencer tibia
- Undercover
- Floor outer silencer

Sales capabilities

Acquiring the sales capabilities to make proposals to customers around the world

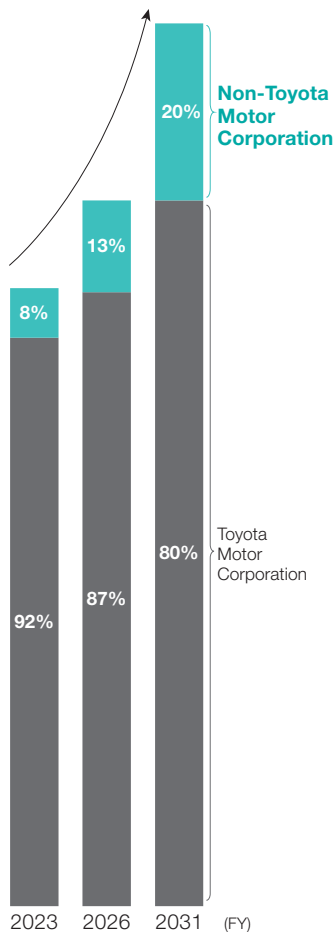
We are working to strengthen our sales capabilities with the aim of offering the Toyota Boshoku group's products to customers around the world.

To date, we have been promoting activities to win orders mainly from strategic OEMs that have an alliance relationship with Toyota Motor Corporation, but we are aiming to further expand our sales channels as we move toward 2030.

While utilizing the sales channels acquired through the transfer of commercial rights from Aisin Corporation and Aisin Shiroki Corporation following the reorganization of the seat frame mechanism components business, we will promote activities to win orders from new customers other than strategic OEMs.

Promoting activities to win orders from strategic OEMs

Revenue target



Expand sales to strategic OEMs

Activities begin to bear fruit and new orders are obtained

[New order example 1] Company A

Acquired new business in Japan, including interior components such as door trims

New orders

- (1) Door trims/carpets/fender liners
- (2) Electric components

Activity underway

Japan

Asia region
Indonesia, Malaysia, Thailand, Taiwan, etc.

Aim to expand business in Japan as well

[New order example 2] Company B

Working with local suppliers in western India to win orders. Using this as a foothold, aim to further expand business in the north

High value-added products

- Seat ventilation (entry version)
- Power frame for emerging countries

Activity underway

North
Use production sites acquired through the transfer of commercial rights

West
Use partner sites

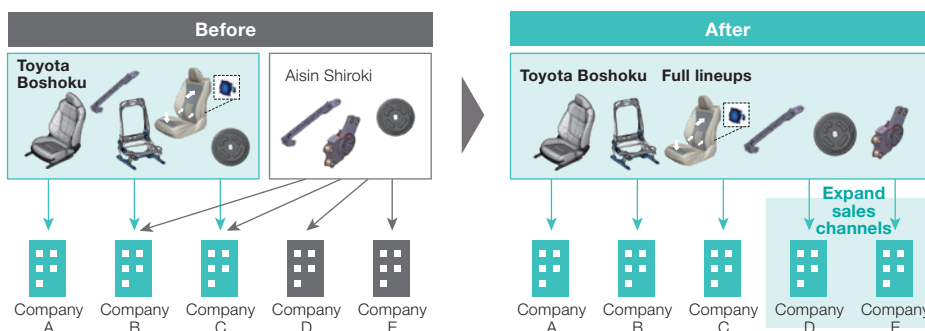
South
Use Toyota Boshoku sites

Win orders

Expand order-taking efforts into northern India by promoting high value-added products

Expand sales channels to customers other than strategic OEMs

Using sales channels that were broadened by transfer of commercial rights from Aisin and Aisin Shiroki, aim to further expand sales



Economic value

The Toyota Boshoku group has set financial targets for fiscal 2026 in its 2025 Mid-Term Business Plan in order to measure financial value. Progress is reviewed twice a year to manage the degree of achievement.

KPIs	FY2026 targets	FY2023 results	FY2022 results	FY2023 financial review
Revenue (billion yen)	1,600.0+ α	1,604.0	1,421.4	Despite the impact of production constraints resulting from component supply issues and other factors, the Toyota Boshoku group benefited from increased production due to a recovery in demand globally, as well as foreign exchange effects. While falling short of our full-year forecast, revenue increased by 182.5 billion yen (12.8%) to 1,604.0 billion yen compared to fiscal 2022.
Operating profit (billion yen)	100+ α	47.6	60.2	Although there were benefits from increased production due to a recovery in demand globally, operating profit decreased by 12.6 billion yen (-20.9%) to 47.6 billion yen compared to fiscal 2022, mainly due to changes in the model mix resulting from component supply issues in Japan, and expenses (7.2 billion yen) associated with the termination of the Russian operations.
Operating profit ratio	6–7%	3.0%	4.2%	There was a decrease of 1.2 percentage points from fiscal 2022. To secure budget for future growth, we will increase profitability by further streamlining fixed costs and reducing cost.
ROE	10% or higher	3.7%	10.9%	Income tax expenses rose due to a reversal of deferred tax assets totaling 10.1 billion yen, as earnings deteriorated in the United States owing to higher material and transportation costs, as well as higher labor costs and overheads due to the effects of inflation. As a result, net profit attributable to owners of the parent decreased by 24.5 billion yen (-62.6%) compared to fiscal 2022, leading to a 7.2-percentage points reduction in ROE.
Ratio of equity attributable to owners of the parent	Around 40%	39.8%	40.0%	Total assets increased by 42.6 billion yen to 1,007.3 billion yen, mainly due to an increase in cash and cash equivalents and trade receivables. Meanwhile, equity attributable to owners of the parent increased by 14.5 billion yen to 400.7 billion yen. As a result, the ratio of equity attributable to owners of the parent decreased by 0.2 percentage points.
Net asset (billion yen)	400	436.8	423.8	Net assets increased by 13.0 billion yen from the end of fiscal 2022, mainly due to the recording of 14.6 billion yen in net profit attributable to owners of the parent.
Dividend payout ratio	Around 30%	89.1%	30.5%	We have increased the annual dividend by 6 yen from fiscal 2022 to 70 yen per share, a dividend payout ratio of 89.1%. Excluding the impact of costs associated with the termination of the Russian operations and the reversal of deferred tax assets in the United States, the dividend payout ratio would be approximately 40%.
Capital investments (billion yen)	250+ α (FY2022–2026 total)	50.7	38.3	In addition to measures for new products as well as rationalizing and upgrading production facilities, a new logistics relay center (Toyota City, Aichi Prefecture) was established to improve the efficiency of distribution of auto parts, resulting in an increase of 12.4 billion yen to 50.7 billion yen compared to fiscal 2022.
R&D expenses (billion yen)	200+ α (FY2022–2026 total)	47.3	44.8	We are committed to developing advanced, high-quality products and technologies that meet the needs of our customers. In addition to investment in human resources, we have strengthened R&D to provide new value by reorganizing the seat frame mechanism components business and promoting a global development system, resulting in an increase of 2.5 billion yen compared to fiscal 2022.

Social value

KPIs for measuring the Toyota Boshoku group's social value are organized within an ESG framework to measure progress on materiality. These ESG KPIs are reflected in officers' compensation according to the degree of achievement (▶p. 78).

For other ESG results, please refer to the ESG data on our website. <https://www.toyota-boshoku.com/global/sustainability/data/esg/>

	KPI	FY2031 targets	FY2026 targets	FY2023 results	Scope	Responsible person	Materiality
Environment	Production CO ₂ emissions reduction ratio (compared to FY2020)	-50%	-25%	-24%	Toyota Boshoku group	CCNO	③
	Renewable energy installation ratio	40%	15%	23%	Toyota Boshoku group	CCNO	③
	CO ₂ emissions ratio in logistics (compared to FY2012)	-20%	-14%	-30%	Toyota Boshoku group	CCNO	③
	Waste emissions reduction ratio (compared to FY2012)	-20%	-14%	-20%	Toyota Boshoku group	CCNO	③
	Water consumption reduction ratio (compared to FY2014)	-8%	-6%	-35%	Toyota Boshoku group	CCNO	③
	Symbiosis with nature (number of trees planted)	Cumulative 770k	Cumulative 640k	Cumulative 650k	Toyota Boshoku group	CHRO	③
	Ratio of sales of unit components of electrified products that will lead to minimization of environmental impact	45%	10%	6.5%	Toyota Boshoku group	CTO	③
Social	Number of patent applications	500/year	320/year	325	Toyota Boshoku	CTO	① ②
	Number of external presentations and papers	120/year	90/year	66	Toyota Boshoku	CTO	① ②
	Rate of new product development leading to Interior Space Creator	30%	15%	5%	Toyota Boshoku	CTO	①
	Ratio of vehicles that are expected to use products that contribute to traffic safety	50%	20%	-	Toyota Boshoku	CTO	②
	Number of participants in social contribution activities (annual)	Total 2,000	Total 2,000	Total 2,980	Toyota Boshoku	CHRO	④
	Degree of implementation of the Toyota Boshoku Group Guiding Principles	100%	100%	87%	Toyota Boshoku group	CHRO	⑤
	Number of stress checks conducted for all company members	1/year	1/year	1/year	Toyota Boshoku	Center Chief, Health & Safety Center	④
	Health checkup rate	100%	100%	87%	Toyota Boshoku	Center Chief, Health & Safety Center	④
	Number of serious accidents involving company members	0	0	0	Toyota Boshoku group	Center Chief, Health & Safety Center	④
	Number of serious accidents involving outside contractors and visitors	0	0	0	Toyota Boshoku group	Center Chief, Health & Safety Center	③ ⑤
Governance	Number of environmental abnormalities and complaints	0	0	1	Toyota Boshoku group	CCNO	③ ⑤
	Number of serious cyber security incidents	0	0	1	Toyota Boshoku group	CDO	⑤
	DX certification	DX-Excellent company	DX-Excellent company	DX certified company	Toyota Boshoku	CDO	⑤
	Number of violations of antitrust laws	0	0	0	Toyota Boshoku group	CHRO	⑤
	Number of violations of anti-bribery laws	0	0	0	Toyota Boshoku group	CHRO	⑤
	Response to human rights risks in the supply chain (development of human rights due diligence)	Expansion ratio 100%	Expansion ratio 100%	Study sessions with suppliers	Toyota Boshoku group	CPO	④ ⑤
	External awards from customers	5	5	8	Toyota Boshoku	CCO	⑤
	Compliance with timely and appropriate disclosure	100%	100%	100%	Toyota Boshoku group	CHRO	⑤

Strengthening monitoring of KPIs

Accelerating decision-making by strengthening monitoring of KPIs

We are promoting standardization so that management decisions in relation to economic and social value KPI targets for 2025 and 2030 can be made based on quantitative data. Additionally, we aim to evolve our current system (management information infrastructure) so as to further enhance management control.

In fiscal 2023, non-financial information such as safety, headcount, facility productivity, and environment was collected and visualized globally. In particular, in the area of environment, we have made it possible to identify information such as CO₂ emissions and the rate of introduction of renewable energy in response to Scope 1 and 2. As this has made it possible to automate the process from information input to document creation, information can now be shared

in a timely and efficient manner.

In fiscal 2024, we will promote improvements to enable all levels of management, including executives, managers, front-line workers, and practitioners, to proactively utilize integrated management information. In particular, the economic value KPI and certain social value KPI, which have now been visualized, can be monitored by the Corporate Management Meeting while utilizing the management information infrastructure to immediately identify issues and make improvements. In addition, we are promoting faster decision making by shortening the lead time to information visualization (visualization of previous month's activities now operational on 8th of the current month instead of 15th). We are also further promoting visualization of the ESG KPIs, and will realize centralized management of economic and social value KPIs.

Aim of management information infrastructure

