




Governance

Establishing a resilient global management foundation

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Governance quick reference table

Form of organizational design	Company with Audit & Supervisory Board
Number of directors (o/w number of outside directors)  <small>Outside officers</small>	9 (4)
Number of Audit & Supervisory Board members (o/w number of outside Audit & Supervisory Board members)  <small>Outside officers</small>	4 (2)
Term of directors	1 year
Chief officer system	Yes
A voluntary committee equivalent to the Nomination Committee or the Compensation Committee	Management Advisory Council
Compensation system for directors (Excluding outside directors)	(1) Fixed compensation (monthly compensation), (2) Performance-linked compensation (bonuses), reflecting ESG-related evaluation, (3) Stock compensation (transfer-restricted stock) ▶p. 78
Accounting auditor	PricewaterhouseCoopers Arata LLC

One aspect of the Toyota Boshoku group's materiality is to continue to be a company of integrity that is trusted by all our stakeholders. We are doing this by strengthening governance and compliance as issues related to people and organization, which are the sources of our competitive advantage.

Since the three-company merger in fiscal 2005, the group has focused ever more on strengthening corporate governance. In terms of directors and Audit & Supervisory Board members, we have appointed a female outside director and are addressing skills disclosure, while in terms of officer compensation, we have introduced a medium- to long-term incentive system to reflect ESG-related evaluations in compensation.

The CSR Promotion Meeting, which had been in operation since fiscal 2007, changed its name to the CSV Promotion Meeting in fiscal 2021. In the process of incorporating CSV ideas into management, its agenda has been reviewed and discussions on operations that contribute to resolving social issues, etc. have been revitalized.

Going forward, the Toyota Boshoku group will continue to implement reforms on multiple fronts to achieve highly transparent and effective corporate governance.

Initiatives to strengthen corporate governance

	Previous	2005 (2005 Start of Toyota Boshoku)	2017	2018	2019	2020	2021	2022	2023	2024	(FY)
Board of Directors and Audit & Supervisory Board		<ul style="list-style-type: none"> Election of outside Audit & Supervisory Board members Shortening of the term of office of directors to one year (2006) 	<ul style="list-style-type: none"> Election of outside directors (2016) Start of evaluation of the effectiveness of the Board of Directors (2017) 	<ul style="list-style-type: none"> Streamlining of Board of Directors (2018) Revision of rules of the Board of Directors (2018) ...delegation of authority to execution functions 	<ul style="list-style-type: none"> Establishment of Management Advisory Council (2019) 			<ul style="list-style-type: none"> Appointment of female director (2022) Disclosure of directors skill matrix (2022) 	<ul style="list-style-type: none"> Disclosure of Audit & Supervisory Board members skill matrix (2023) Start of assessments of the effectiveness of the Audit & Supervisory Board (2022) 		
Officer Compensation & System Reform					<ul style="list-style-type: none"> Introduction of medium- to long-term incentive system (2019) 		<ul style="list-style-type: none"> Introduction of transfer-restricted stock compensation system (2021) 				
Business Execution System			<ul style="list-style-type: none"> Change in management structure ...Strengthening management of product business axis (2017) 			<ul style="list-style-type: none"> Changes of the officer structure ...reduction in number of officers (2020) 		<ul style="list-style-type: none"> Introduction of Chief Officer System (2022) Abolition of the executive vice president position (2022) Appointment of young management members who excel in their field of specialization to field chiefs and center chiefs (2022) 		<ul style="list-style-type: none"> Expansion of Chief Officer System (2024) 	
Promotion Meetings / Committees		<ul style="list-style-type: none"> Establishment of CSR Promotion Meeting (2007) Establishment of Environmental Affairs Committee Establishment of Safety & Health Committee 	<ul style="list-style-type: none"> Establishment of Risk Management Promotion Meeting (2017) Integration of Safety/Health/Environment Function Meeting (2017) 	<ul style="list-style-type: none"> Establishment of the Information Disclosure Committee (2011) 			<ul style="list-style-type: none"> Renamed to CSV Promotion Meeting (2021) 	<ul style="list-style-type: none"> Establishment of DX Promotion Meeting (2022) DX Certification (2023) 	<ul style="list-style-type: none"> Separation of the meeting into Carbon Neutral Environment Promotion Meeting (2022) Safety & Health Function Meeting (2022) 	<ul style="list-style-type: none"> Health & Safety Function Meeting (2023) 	

Message from the Chair of the Board of Directors

I ncreasing the ratio of outside directors and debating important management policies

I was appointed Chair of the Board of Directors in June 2012. At that time, there were 11 directors and no outside directors, but we have since streamlined the Board of Directors and promoted the appointment of outside directors, who now account for 44% of the total. I believe that we have made progress in strengthening functions to accelerate decision-making while ensuring management supervision and the legality and appropriateness of the execution of duties.

Our current outside directors have a variety of backgrounds: in business administration, international legal affairs, innovation, and the auto parts business. Combined with the extensive business experience of our internal directors, there is lively discussion at the monthly Board of Directors on both the opportunities and risks. Compared to when I first assumed the chairpersonship, I feel that both the quality and quantity of discussions have evolved considerably.

In fiscal 2023, the agenda included not only individual investment projects, but also a number of themes related to business strategy and sustainability. For example, with regard to our initiatives in the Seat Business Segment moving toward 2030, we discussed matters including the ratio of sales to companies other than our main customers, the timescale for achieving this ratio, and the status of support for battery electric vehicles (BEVs). At that time, we gained the advice of our outside directors from a variety of perspectives, ranging from the need for strategic alliances to specific measures for securing resources (▶ p. 76).

On the other hand, there are also challenges. Although we have had free, open and constructive discussions at the Board of Directors, I have sometimes felt that internal directors have refrained from speaking out on matters outside the scope of their own duties. Going forward, I would like to further enhance the quality of the Board of Directors by, for example, sharing the status of internal deliberations from the internal directors' perspective, so as to narrow down the discussion points and stimulate debate. Based on

this policy, I intend to fulfill the role of Chair to ensure that the Board of Directors ultimately works together as a unified body, while respecting different opinions, pointing us in a better direction for the enhancement of the group's corporate value.

F ocusing also on building our corporate culture while fulfilling my role as Chair of the Board

Although I am the Chairman with executive authority, I believe that I am in a position to ensure smooth coordination between execution and supervision at the Board of Directors. Drawing on my experience in a wide range of fields at Toyota Motor Corporation and Toyota Boshoku, as well as important positions outside the group, I am committed to the management of the Board of Directors and the development of our corporate culture, serving as a bridge between the outside and internal directors.

In particular, I am focused on our *Genchi-Genbutsu* (go and observe) code of conduct to ascertain the facts, which is an important part of our philosophy including the Principles of Toyoda, as well as human resource development based on this. From my desire to apply this approach in building our corporate culture, occasionally I convey to our company members, at their respective workplaces, the importance of ascertaining the facts on the ground through

Genchi-Genbutsu before taking the required action. When faced with numerous problems, we are often so caught up in our own thinking that we fail to see things as they really are. I believe that using my position to convey these insights will encourage company members to think and act on their own. While the actual penetration and promotion activities in each department fall under the responsibility of the President and subordinate personnel, I would like to contribute my experience and knowledge to the development of our corporate culture by providing advice and support.

As Chair of the Board of Directors, I will continue to promote the strengthening of governance and the building of a corporate culture that meets the expectations of all our stakeholders.



Shuhei Toyoda
Chairman
Chair of the Board of Directors

Supporting challenges toward sustainable growth

The Toyota Boshoku group believes it is important to maintain and improve the efficiency, fairness, and transparency of management, and we are working to enhance our corporate governance. We asked outside directors Dr. Seto and Mr. Ito, who took office in June 2022, to talk about the governance of the Company, the challenges, and their expectations for the future.



Takafumi Seto
Outside Director

Giving opinions from various perspectives

Seto ● Having spent many years in R&D in the science and engineering field, I am keeping a close eye on whether our technical capabilities are being maintained and strengthened. And since I'm based in an educational institution, I am also focused on human resource development and open innovation.

Ito ● My background is in the same industry as Toyota Boshoku. I would like to contribute to the sustainable growth of our Company by expressing opinions from the perspectives of various stakeholders, including our customers and business partners, drawing on my experience of working in corporate planning and overseas. Also, I've been involved in the planning and implementation of various measures in the HR division, so like you, I am also focused on human resource development.

Discussions that go beyond reporting and approval

Seto ● I've experienced being a director for one year, and I feel that discussions at the Board of Directors have been increasingly lively, with a diversity of opinions and suggestions. Also, I think that reporting was timely on matters such as corporate hoshin (policy), business-specific strategies, HR strategy, and ESG initiatives. (▶ p. 75)

I feel that solid progress is being made particularly with ESG, with the first ESG briefing having been held in November 2022, and also after hearing reports on initiatives including carbon neutrality.

Ito ● The status of IR and dialogue with institutional investors was also reported on, and I sensed how the Company was also being attentive to minority shareholders. While ESG is organized in a systematic way, I feel there could be more industry-leading initiatives. For example, since seats—our core product—are made from a variety of materials, my hope is that we will lead the industry in sorted recycling and contribute to society from a circular economy perspective.

Seto ● I agree. I think this is a topic that should be considered in order to find a way to solve the problem, rather than postponing it to the next generation.

Ito ● If I had to name an issue with regard to how the Board of Directors is run, I would say it is to be aware that the Board of Directors is a forum for discussion. I think it would be even more effective if discussions were held at an early stage, before reaching a resolution.

Seto ● That's very true. I'd also like to know what the process and discussions were that led to the conclusion.

Ito ● And something else: it would be good if the Board followed up on how our points were or weren't reflected, and if so, why.

Seto ● In terms of structure, I'm hoping for an increase in the number of female officers, from a diversity perspective. Since the Japanese government has set a target for FY2030, it's important that we constantly visualize the current situation and challenges, and develop executive candidates from a long-term perspective.

Ito ● Regarding the succession plan, why not first discuss also with the outside officers whether the process for determining the plan is appropriate? I would also like to increase dialogue with our company members.

Seto ● We've spoken with members of the young and female company member groups, but do you agree that we also need to have a dialogue with more senior executives?

Ito ● Yes, I'd be delighted to play a role if outside officers were also expected to evaluate individual candidates who are in the succession plan.

The courage to take a step forward in a transformational period

Seto ● The automotive industry is undergoing a once-in-a-century transformational period, and in order to overcome this challenge, we must further enhance our technological capabilities as a manufacturing company. At the same time, in terms of commercialization, it's not just technical capability but also marketing that's important. I feel that China and the United States are becoming the frontrunners, especially for BEVs. I think we need to take steps to create businesses that can lead rather than just "keep pace."

Ito ● I'm hopeful about how our mainstay seat business will be affected by the shift to BEVs, but also concerned. After gaining a solid understanding of our competitors' strengths and weaknesses through thorough benchmarking, and by expanding sales to customers other than Toyota Motor Corporation, I think we can expect to gain new knowledge, improve our ability to make proposals to our customers, and increase our competitive advantage. I think our expectations of the Company are growing as specific actions become more clearly defined.

Seto ● I agree. We've set a goal of 20% of sales to customers other than Toyota Motor Corporation, and I would like to see us take on the challenge of achieving that goal.

Ito ● Yes, I really want everyone to take on more and more challenges. Since our company members are the driving force behind taking on new challenges and transforming the Company, I'd like to discuss internal revitalization at the Board of Directors as well, based on the results of the ethics survey and other factors.

Seto ● If Toyota Boshoku is to seize the significant opportunities and make a leap forward in this transformational period, we need to have the courage to take a step forward with a challenger's mindset. I hope to see innovation based on new ideas, enhanced external collaboration, and a challenging disposition take root in our corporate culture, and as a Board member, I intend to support this.

Kenichiro Ito
Outside Director



Basic stance

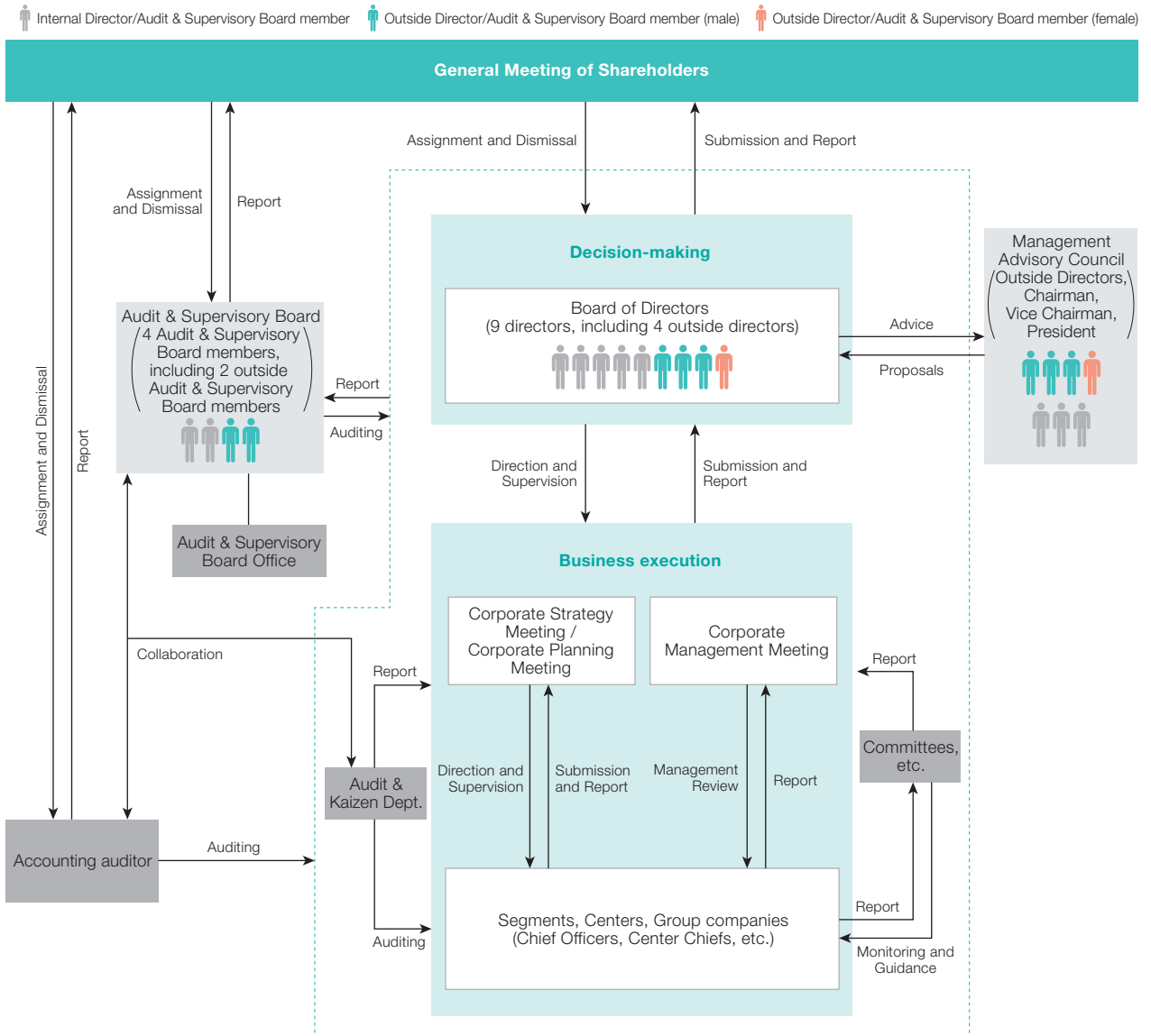
The first item in our Corporate Philosophy is “corporate growth while fulfilling our responsibilities in harmony with society as a good corporate citizen,” and we are promoting sustainable corporate activities through rigorous adherence to corporate ethics. We believe it is important to maintain and further improve the efficiency, fairness, and transparency of management, and we aim to enhance corporate governance based on five specific items: (1) ensure shareholders’ rights and equality; (2) ensure appropriate cooperation with stakeholders other than shareholders; (3) ensure appropriate information disclosure and transparency; (4) appropriate

execution of the roles and responsibilities of the Board of Directors; and (5) constructive dialogue with shareholders. We have also established a basic stance on compliance and risk management, and are implementing activities accordingly.

Response to the Corporate Governance Code

Toyota Boshoku has determined that it is in compliance with all principles of the Corporate Governance Code. Please refer to our Corporate Governance Report, which was submitted to the Tokyo Stock Exchange.

System diagram of corporate governance (as of June 13, 2023)



Corporate governance system

Toyota Boshoku has appointed five internal directors and four outside directors with extensive experience and broad insight. Through their supervisory function, the outside directors serve to ensure the legality and appropriateness of decision-making by the Board of Directors and the execution of duties by directors.

The four persons appointed as outside directors satisfy the requirements for independent directors as stipulated by the Financial Instruments Exchange. They have been designated as independent directors of the Company because it has been determined that there is no risk of conflicts of interest with general shareholders.

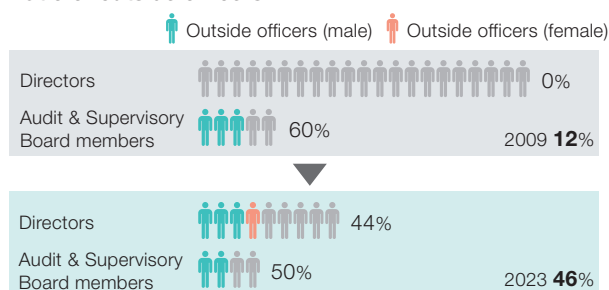
In addition, we have adopted a corporate auditor system, in which a four-person structure that includes two outside Audit & Supervisory Board members audits the management of directors.

Audit & Supervisory Board members audit the business execution of directors, as well as the business and financial condition of subsidiaries in and outside Japan. Such initiatives, including assigning dedicated staff to the Audit & Supervisory Board Office, help strengthen the functions of the Audit & Supervisory Board.

The two persons appointed as outside Audit & Supervisory Board members satisfy the requirements for independent auditors as stipulated by the Financial Instruments Exchange. They have been designated as independent auditors of the Company because it has been determined that there is no risk of conflicts of interest with general shareholders.

The Management Advisory Council was established as a forum for the candid exchange of opinions related to such matters as management issues, appointment and dismissal of management, nomination of candidates for director and Audit & Supervisory Board member, and compensation for management and directors.

Ratio of outside officers



Business execution system

Toyota Boshoku adopts an organization consisting of seven units (Corporate Operation, Product Business, Regional

Business, Functional Collaboration, Research & Development, Production, and Special Duties). We have introduced a Chief Officer System to ensure cross-functional cooperation, and have assigned Center Chiefs, etc. so as to clarify roles, responsibilities, and authority, simplify the decision-making process, and make quick management decisions.

The Corporate Planning Meeting is held twice a month to ascertain the status of implementation of the above, share information on important management issues, and make decisions, while the Corporate Strategy Meeting is held as necessary to deliberate and set the direction for company-wide management strategies. In this way, as well as ensuring thorough deliberation on issues prior to submission to the Board of Directors, we strive to quicken our response to management challenges. In addition, we have established the Corporate Management Meeting, where information is shared among internal directors, standing Audit & Supervisory Board members, Chief Officers, Center Chiefs, etc., as well as various committees and meeting bodies, so as to enhance deliberations on individual matters and regularly monitor and follow-up on the status of business execution based on policies decided by the Board of Directors.

Roles of various meeting bodies

Meeting body	Role	Frequency
Corporate Strategy Meeting	Deliberation and orientation of important company strategies	As needed
Corporate Planning Meeting	<ul style="list-style-type: none"> ● Important management decision-making ● Information sharing on important matters ● Deliberation and approval of measures to address important business execution issues 	Twice a month
Corporate Management Meeting	<ul style="list-style-type: none"> ● Monitoring of the execution of important business operations (predictive management) ● Responding to issues quickly and efficiently ● Sharing information with all officers 	Once a month

(1) Board of Directors

Number of meetings held in FY2023: 13

The Board of Directors convenes at least once a month, and as the management decision-making body, decides on important management matters such as legal matters, corporate hoshin (policy), business plans and capital expenditure plans, and also monitors business execution. The Board of Directors is chaired by the Chairman. Items that should be submitted to the Board of Directors are stipulated in rules of the Board of Directors, and other items are

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delegated to the President, Chief Officers, Center Chiefs, etc. in accordance with the Authorization Policy.

(2) Audit & Supervisory Board member, Audit & Supervisory Board

Number of meetings held in FY2023: 14

The Audit & Supervisory Board consists of two standing Audit & Supervisory Board members and two outside Audit & Supervisory Board members, and the lead standing Audit & Supervisory Board member serves as Chair of the Audit & Supervisory Board.

The main items discussed by the Audit & Supervisory Board include the selection of standing Audit & Supervisory Board members, audit policy and audit implementation plans, status of development and operation of internal control system, appropriateness of audit method performed by accounting auditors and the results thereof, and the preparation of audit reports.

With regard to the activities of Audit & Supervisory Board members, they conduct audits of internal divisions and domestic and overseas group companies based on the audit policy and annual plans, communicate with directors, etc., attend the Board of Directors, Corporate Planning Meeting and other important meetings, inspect important documents, etc., and exchange information with the internal auditing department and accounting auditors.

(3) Management Advisory Council

Number of meetings held in FY2023: 5

To incorporate independent perspectives, the Management Advisory Council is composed of four outside directors (Akihiro Koyama, Junko Shiokawa, Takafumi Seto, Kenichiro Ito), as well as Chairman Shuhei Toyoda, Vice Chairman Naoki Miyazaki, and President Masayoshi Shirayanagi. The chair of the Management Advisory Council is the Chairman.

The Management Advisory Council, as an advisory body to the Board of Directors, deliberates on important management strategies and issues, the selection and dismissal of management, compensation, succession planning and other matters, and has the authority to determine the amount of individual compensation for directors upon resolution by the Board of Directors.

In addition, the Management Advisory Council's members, agenda and activities were resolved by the Board of Directors in December 2018 as the Management Advisory Council Rules.

Main discussions at the Board of Directors in FY2023

General Meeting of Shareholders	<ul style="list-style-type: none"> ● Decision on convocation and agenda items ● Approval of business reports, financial statements, etc. ● Condition of the exercise of voting rights on agenda items at the General Meeting of Shareholders
Executive officers and organization	<ul style="list-style-type: none"> ● Selection of representative director and executive director ● Directors' compensation and bonuses
Business planning, management strategy	<ul style="list-style-type: none"> ● Formulation of global hoshin (policy) ● Deliberation on strategy including business advancement, alliances, reorganization, etc. ● Status of investment in and collaboration with startup companies
Sustainability	<ul style="list-style-type: none"> ● ESG status ● Status of environmental initiatives, including TCFD and scenario analysis results ● Approach to human rights due diligence ● Status of initiatives to prevent occupational accidents ● Status of response to business risks ● Status of health management ● HR strategy ● Status of quality initiatives ● DX promotion strategy ● Internal governance structure relating to intellectual property
Other	<ul style="list-style-type: none"> ● Implementation of interim dividend ● Report on operational status of basic policy on the development of internal control systems ● Approval and report on transactions involving a conflict of interest ● Implementation and report on assessments of the effectiveness of the Board of Directors ● Examination of stockholdings ● Operational status of whistle-blowing system ● Items related to property and assets

Main discussions at Audit & Supervisory Board in FY2023 (excluding audit reports)

General management	<ul style="list-style-type: none"> ● Company member safety and health management, environmental management initiatives
Internal control and auditing	<ul style="list-style-type: none"> ● Basic policy on the development of internal control systems, etc. ● Status of risk management ● Status of global internal auditing system ● Japan and non-Japan subsidiary audit results
Other	<ul style="list-style-type: none"> ● Assessment of the effectiveness of the Audit & Supervisory Board

Main discussions at Management Advisory Council in FY2023

Officer compensation	<ul style="list-style-type: none"> ● Compensation criteria for directors and operating officers ● Percentage of monetary compensation and number of shares under the transfer-restricted stock compensation plan for directors (excluding outside directors)
Organization & structure	<ul style="list-style-type: none"> ● Structure of directors and Audit & Supervisory Board members, and organizational changes ● Selection of individuals for promotion to operating officer

Board of Directors' comments on "Initiatives of the Seat Business Segment Toward 2030" (excerpts)**Sales to automakers other than Toyota Motor Corporation**

- The target ratio of sales to companies other than Toyota Motor Corporation in 2030 is 20%. To better ensure we achieve our target, we are implementing sales activities targeting Chinese-made battery electric vehicles (BEVs) and manufacturers other than strategic OEMs, etc.
- We should apply the knowledge gained from sales to other companies to boost the Toyota Boshoku group's competitive advantage.

Response to BEV strategy

- It is necessary to identify possible business opportunities in relation to advanced BEV models in North America associated with environmental change, including the need to address carbon neutrality.
- We need to promote this while carefully assessing the situation so that deals can be secured with manufacturers developing self-driving BEVs.

Recruitment

- In the process of tackling the BEV market, we anticipate a shortage of staff as the years progress.
- The HR division is expanding mid-career and new graduate hiring. For outsourcing, we are also exploring recruitment agencies and new outsourcing partners.
- We are also considering hiring through a subsidiary design contracting company, in various regions.
- In terms of activities to recruit students, we will ensure sufficient dissemination of information to assist students themselves in envisioning their future career, and would also like to strengthen relationships with research labs and make use of alumni visits and internships.

Tackling the Chinese market**Responding to market expansion**

- Given the rapid increase in the number of BEVs in the Chinese market, we need to keep pace with this increase.
- This is premised on developing seats for BEVs, but as Chinese manufacturers tend to prefer unique products, we will need to respond by strengthening development systems in China.
- We are aware that it will be difficult to make inroads alone, so we are urgently looking into options including the possibility of alliances with other companies.
- As we think selecting a partner where it is a win-win situation for both parties will be the key to determining the winners and losers of business, we will need to carefully consider this issue.

Securing local human resources

- China is a large market with growth potential, but it is difficult to secure resources.
- The China Regional Management & Collaboration Hub has an R&D function and employs over 100 company members. However, there is also significant personnel turnover, and this is recognized as an issue.
- The labor market is in flux and there also is an outflow of human resources. To retain them, we believe that a key point is to enhance the appeal of the company to attract human resources.

Support structure for outside directors and Audit & Supervisory Board members

Internal directors and standing Audit & Supervisory Board members provide explanations about required knowledge pertaining to areas such as the Company's businesses, financial affairs and organizations when outside directors and outside Audit & Supervisory Board members assume office. The Company also sends materials of the Board of Directors beforehand to outside directors and outside Audit & Supervisory Board members and provides them with prior explanations on the important matters of agenda items submitted to the Board of Directors. Furthermore, outside directors and Audit & Supervisory Board members are provided with reports on the progress of global hoshin (policy), and plans are made for them to tour plants and offices. The Company has assigned Audit & Supervisory staff to the Audit & Supervisory Board Office as part of a structure for supporting the day-to-day auditing activities of standing Audit & Supervisory Board members. They also support the auditing activities of outside Audit & Supervisory Board members through the operation of the Audit & Supervisory Board.

Evaluation results of the effectiveness of the Board of Directors

Toyota Boshoku analyzes and evaluates the effectiveness of the Board of Directors as follows.

(1) Method

- a. The operational status and response to issues identified in the past are analyzed and reported to the Board of Directors in January.
- b. The Segment Chief in charge of the administrative office of the Board of Directors conducts a questionnaire and interviews with all directors and Audit & Supervisory Board members, including outside members, in February.
- c. The evaluation results and the direction to be taken to resolve issues are summarized and reported to the Board of Directors in March for discussion.

(2) Overview of fiscal 2023 evaluation results

- a. We have continued to make improvements by enhancing the topics discussed at the Board of Directors meetings, including business strategy and the intellectual property management system, and by enhancing information provision through the implementation of pre-Board meeting briefings for outside officers, reporting on the status of information disclosure such as ESG briefings, and participation in business debriefings, plant visits, and important meetings. As a result, the evaluation has shown

that the effectiveness of the Board of Directors in making important management decisions and supervising business execution has been ensured and improved.

- b. On the other hand, a view was expressed that the Board of Directors should deepen its discussion of company-wide strategy, human capital, and intellectual property strategy, and promote discussion using materials that clearly explain the background, main points, and issues of each case.
- c. There was also a request for improvement in areas such as discussions on dialogue with investors, the establishment of a forum for the exchange of opinions among outside officers only, and further enhancement of facility visits, including sites outside Japan.

(3) Key challenges and improvement measures

Toyota Boshoku will strive to make the following improvements to ensure even greater effectiveness of the Board of Directors.

- a. Deepen strategic discussions
We will organize the necessary agenda items throughout the year and systematically implement topics related to company-wide strategy, human capital, intellectual property strategy, etc. We will also further improve information provision and meeting materials to facilitate discussion.
- b. Enhance support for outside officers
We will provide relevant information to deepen understanding of the Company and contribute to discussions at the Board of Directors, including annual plans and reports on the status of dialogue with investors, opportunities for communication among outside officers only, and enhanced facility visits that develop strategies and investment opportunities.

Policy for deciding the amount of officers' compensation and the calculation method

The "Policy for deciding the amount of compensation for Directors and Operating Officers" is resolved by the Board of Directors.

(1) Basic approach

In order to realize a compensation system that is highly linked to the Company's business performance, the following are reflected in part of the compensation structure:

- a. we set the disparity between positions reasonably in light of the roles and responsibilities, and
- b. grant stock-based compensation under the transfer-restricted stock compensation plan to directors other than outside directors.

In addition, in order to reflect annual performance and

- efforts to improve medium-term corporate value in compensation (bonus),
- c. the Company's uniform annual performance and the degree of achievement of annual hoshin (policy) by each individual for the single year, and
- d. evaluation of medium-term corporate value enhancement in terms of the enhancement of social value and economic value.

(2) Approach to the level of compensation

For the level of compensation, we select companies listed on the Prime Market of the Tokyo Stock Exchange for benchmarking, based on their corporate size, consolidated revenue, consolidated operating profit, and number of company members and we confirm the appropriateness of compensation amounts while also incorporating the results of external compensation survey organizations.

(3) Directors' compensation

Annual compensation for directors is limited to 600 million yen (including 70 million yen for outside directors), as resolved at the Ordinary General Meeting of Shareholders held on June 17, 2020. The number of directors as of the close of this Ordinary General Meeting of Shareholders was nine, including four outside directors.

Please see the table below, "Structure of Directors' Compensation," for details on the types of compensation, payment criteria, and the structure of compensation.

(4) Compensation for outside directors

Outside directors are paid only fixed monthly compensation as they are expected to fulfill their roles and responsibilities from a standpoint completely independent of business execution.

(5) Compensation for Audit & Supervisory Board members

Audit & Supervisory Board members are paid only fixed monthly compensation and there is no variable factor based on performance. Compensation for Audit & Supervisory Board members is determined through discussion among the Audit & Supervisory Board members within the limit of compensation set by resolution of the Ordinary General Meeting of Shareholders held on June 14, 2022 (not to exceed 130 million yen per year; the number of Audit &

Total amount of compensation, etc. for directors and Audit & Supervisory Board members (April 2022–March 2023)

Category	Total compensation, etc. by type (million yen)				
	Total compensation, etc. (million yen)	Fixed compensation (Monthly compensation)	Performance-linked compensation (Bonuses)	Stock compensation (Transfer-restricted stock)	Number of persons to be paid
Director (of which outside directors)	417 (48)	245 (48)	131 (—)	39 (—)	13 (6)
Audit & Supervisory Board Member (of which outside Audit & Supervisory Board members)	96 (20)	96 (20)	—	—	5 (3)
Total (of which outside officers)	513 (68)	342 (68)	131 (—)	39 (—)	18 (9)

Notes: 1. The above fixed compensation includes four directors and one Audit & Supervisory Board member who retired as of the close of the 97th Ordinary General Meeting of Shareholders held on June 14, 2022.
2. The number of persons to whom performance-linked compensation (bonuses) and stock compensation (transfer-restricted stock) will be paid is five directors (excluding outside directors).

Structure of Directors' Compensation

Type of Compensation	Payment Criteria	Structure of Compensation	Category
Fixed Compensation (Monthly compensation)	Compensation table: Set according to position (level of responsibility). Set the disparity between qualifications at a certain rate, and set the amount of compensation according to the index for each position.	55%	Monetary compensation
Performance-Linked Compensation (Bonuses)	1) Reflect performance for a single fiscal year in the compensation (bonus) table according to position, based on consolidated operating profit. ¹ 2) Reflect medium-term enhancement of corporate value in the bonus payment amount according to the achievement rate (0–150%) based on the contribution to economic value enhancement (20% increase in net assets) and contribution to social value enhancement (20% increase in ESG evaluation score ²) after three years. ³ [Structure of bonus] 100%	35%	
	1) Reflection of single-year results (82%) 2) Medium term (18%)		
Stock compensation (Transfer-restricted stock)	Issue shares to directors, excluding outside directors, which are restricted from sale for a certain period of time (the total amount of stock-based compensation is to be no more than 100 million yen per year, as resolved at the Ordinary General Meeting of Shareholders held on June 17, 2020; from 2021, the Board of Directors will resolve the timing and distribution of compensation)	10%	Stock compensation

1 Consolidated operating profit for the fiscal year ended March 31, 2023 was 47.6 billion yen.

2 From fiscal 2023, the evaluation indicator for social value enhancement has been changed from a CSR evaluation score to an ESG evaluation score for CSV activities.

3 Net assets for the fiscal year ended March 31, 2023 were 436.8 billion yen, and the ESG evaluation score was 3.9 points (out of 5.0 points).

Corporate governance

Supervisory Board members as of the close of this Ordinary General Meeting of Shareholders was four).

(6) Procedures for determining compensation, etc.

In order to ensure the appropriateness of the level and amount of compensation and transparency in the decision-making process, the decision on specific individual compensation payments based on the policy for deciding the amount of compensation is entrusted to the Management Advisory Council, which is composed of four independent outside directors, Chairman (the Chair of the Council), Vice Chairman, and the President.

The process is set forth in the Board of Directors Rules and the Management Advisory Council Rules, and since the amount of compensation for each individual director is determined through established procedures, the Board of Directors believes that the details thereof are in line with the policy for deciding the amount of compensation.

(7) Transfer-restricted stock compensation

The Board of Directors is scheduled to decide on the specific payment period and allocation using the stock compensation limit (within 100 million yen per year and within 100,000 shares per year) defined at the General Meeting of Shareholders held on June 17, 2020.

Applicable recipients	Toyota Boshoku directors (excluding outside directors)
Timing and distribution of allowance	Decided by the Board of Directors
Shares compensation system upper financial limit	Up to 100 million yen per year
Upper limit on shares allowance	Up to a total of 100,000 regular shares per year for applicable board members
Period of restrictions on shares transfer	Until immediately after stepping down as Toyota Boshoku director
Amount paid	Set by the Board of Directors at an amount that will not provide undue advantage to the applicable board member(s), based on the Tokyo Stock Exchange closing price of regular Toyota Boshoku shares on the last business day before the Board of Directors resolution
Conditions for lifting restrictions on shares transfer	Restrictions will be lifted upon expiry of the period of restrictions. However, restrictions will also be lifted upon expiration of term of office, death, or stepping down as director for other legitimate reasons.
Non-compensation acquisitions	In cases where illegal activity has taken place, or there is other justifiable reason established by Toyota Boshoku's Board of Directors, Toyota Boshoku can acquire allotted shares without compensation during the period of restrictions on shares transfer.

Policy and procedure for appointing and dismissing senior management, and nominating candidates for director and Audit & Supervisory Board member

The appointment and dismissal of senior management and the nomination of candidates for director and Audit & Supervisory Board member are discussed and deliberated by the

Management Advisory Council before the Board of Directors makes a resolution. Our policy for the appointment of senior management and the nomination of director candidates is based on a comprehensive review from the perspective of having the right people in the right places, so that accurate and prompt decisions can be made while taking into consideration the extent to which they can cover their respective business fields.

The policy on nomination of candidates for Audit & Supervisory Board member involves a comprehensive examination of whether the person has knowledge regarding finance and accounting, a general understanding of the Company's business and diverse perspectives on corporate management.

The policy on nomination of candidates for outside director and Audit & Supervisory Board member involves a comprehensive examination of the requirements for externality stipulated in the Companies Act and the independence criteria established by the Financial Instruments Exchange, and whether the person has extensive experience and broad insight.

Support for training the next generation of executive management candidates

Through discussions at operating officer level and above at the GSCT,¹ an executive management successor development committee, and at the GSC,² a successor development committee for global key posts (such as candidates for the presidents of business entities, directors, and division general managers), we are promoting optimal global assignment of human resources with a focus on their development, regardless of background. We have introduced a skills matrix (→p. 80) for executives as well, in order to visualize their skills and experience. In addition, we run global executive training programs (GEDP³ and GLDP⁴) to develop future executive candidates, among others.

The GEDP and GLDP started in fiscal 2019 and are both held once a year. From fiscal 2019 to fiscal 2023, 70 people participated in the GEDP and 94 in the GLDP.

In addition, from fiscal 2023, we have expanded the scope of the GEDP and GLDP to further focus on developing young executive candidates, with participation by 22 participants in the GEDP and 25 participants in the GLDP planned in fiscal 2024.

At the GEDP and GLDP, participants learn about the Toyota Boshoku group's history and common values, develop basic management skills, and receive training to improve their organizational and human resource management capabilities to maximize the organization's strengths.

¹ Global Succession Committee by Top Executives

² Global Succession Committee

³ Global Executive Development Program: Selective training program for senior executive positions

⁴ Global Leader Development Program: Selective training program for junior executives and managers

Skill matrix of Director and Audit & Supervisory Board member (as of June 13, 2023)

Position	Name	Management Advisory Council	Corporate management	Global	R&D	MONOZUKURI (production)	Sales and procurement	Finance and Accounting	Human resources and HITOZUKURI	Legal and compliance	Environment and energy	IT and digital
Chairman	Shuhei Toyoda	✓	✓	✓	✓	✓	✓	✓	✓			✓
Vice Chairman	Naoki Miyazaki	✓	✓	✓				✓	✓	✓	✓	✓
President	Masayoshi Shirayanagi	✓	✓	✓			✓	✓	✓		✓	✓
Director, Operating Officer	Hiroshi Ito		✓	✓	✓	✓					✓	✓
Director, Operating Officer	Shunichi Iwamori		✓	✓		✓	✓	✓			✓	✓
Outside Director	Akihiro Koyama	✓		✓				✓	✓	✓		
Outside Director	Junko Shiokawa	✓		✓				✓		✓		
Outside Director	Takafumi Seto	✓			✓	✓			✓		✓	✓
Outside Director	Kenichiro Ito	✓	✓	✓				✓	✓			
Standing Audit & Supervisory Board Member	Yasushi Minami		✓	✓	✓	✓						✓
Standing Audit & Supervisory Board Member	Kazuo Koide		✓	✓			✓		✓		✓	
Outside Audit & Supervisory Board Member	Hiroyuki Yokoyama		✓	✓	✓	✓				✓		
Outside Audit & Supervisory Board Member	Hiroshi Miura		✓	✓				✓		✓		

Reasons for election of outside officers

Classification	Name	Independent Officer	Supplementary explanation regarding suitability items	Reasons for election	Number of Board of Directors, Audit & Supervisory Board attended in fiscal 2023
Directors	Akihiro Koyama	✓	—	Mr. Koyama was elected as a director because it was deemed that he could reflect his research into such areas as corporate finance and corporate governance and also his expert knowledge acquired over many years in corporate management from a global perspective in the management of the Company and contribute to maintaining and strengthening of the Company's corporate governance.	Board of Directors 13/13 meetings
	Junko Shiokawa	✓	—	Ms. Shiokawa was elected as a director because it was deemed that she could reflect in the management of the Company the broad insight she has gained as a lawyer on global cases related to investment funds, finance, cross-border M&A, and investment fund-related dispute resolution, and contribute to maintaining and strengthening of the Company's corporate governance.	Board of Directors 13/13 meetings
	Takafumi Seto	✓	—	Dr. Seto was elected as a director because it was deemed that he could reflect in the management of the Company his research in conjunction with his diverse engineering knowledge and skills, and offer valuable insights regarding pioneering research for future society, as well as conduct joint research with the Company on the theme of realizing comfortable spaces for near-future automobiles, and contribute to the Company's future business.	Board of Directors 11/11 meetings ⁵
	Kenichiro Ito	✓	Mr. Ito is a Member of the Board of Directors and Senior Executive Officer of Denso Corporation, a business partner of the Company.	Mr. Ito was elected as a director because it was deemed that he could reflect his experience as a Member of the Board of Directors and Senior Executive Officer of Denso Corporation, where he also serves as Chief Human Resources Officer, the Head of the general administration and human resources division, the Head of North America, the Head of Europe, and the Head of South Korea, as well as his broad knowledge of the human resources and finance divisions, and contribute to maintaining and strengthening the Company's corporate governance.	Board of Directors 11/11 meetings ⁵
Audit & Supervisory Board members	Hiroyuki Yokoyama	✓	Former Executive Advisor, Daihatsu Motor Co., Ltd., a business partner of the Company	Mr. Yokoyama was elected as an Audit & Supervisory Board member because it was deemed that he could reflect his experience in the Quality Assurance Division and at overseas locations at Toyota Motor Corporation, as well as his extensive experience and insight gained at Daihatsu Motor Co., Ltd., in the audit system of the Company and contribute to maintaining and strengthening of the Company's corporate governance.	Board of Directors 13/13 meetings Audit & Supervisory Board 13/14 meetings
	Hiroshi Miura	✓	—	Mr. Miura was elected as an Audit & Supervisory Board member because it was deemed that he could reflect his experience as a certified public accountant and broad insights related to accounting, financial auditing and governance from his experience over many years in financial auditing and corporate management advisory services, and contribute to maintaining and strengthening the Company's governance.	Board of Directors 11/11 meetings ⁶ Audit & Supervisory Board 11/11 meetings ⁶

⁵ Directors Takafumi Seto and Kenichiro Ito were nominated as outside directors at the 97th Ordinary General Meeting of Shareholders, held on June 14, 2022.

⁶ Audit & Supervisory Board member Hiroshi Miura was nominated as an Audit & Supervisory Board member at the 97th Ordinary General Meeting of Shareholders, held on June 14, 2022.

Directors, Audit & Supervisory Board members and Operating Officers



Directors

9 directors, including 4 outside directors
Average age: 62 years old

Shuhei Toyoda 1

Chairman Term of office as Director:
19 years

Apr. 1977 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
June 1998 Member of the Board of Directors, TMC
June 2001 Managing Director, TMC
June 2001 President & CEO, Toyota Motor Engineering & Manufacturing Europe NV/SA
Sept. 2001 Member of the Board of Directors (with Managing Director status), TMC
Apr. 2002 President & CEO, Toyota Motor Europe NV/SA
June 2003 Member of the Board of Directors (with Senior Managing Director status), TMC
June 2004 Executive Vice President, the Company
June 2006 President, the Company
June 2015 Chairman, the Company (to present)

Naoki Miyazaki 2

Vice Chairman Term of office as Director:
2 years

Chief Risk Officer
Audit & Kaizen Department

Apr. 1980 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
June 2008 Managing Officer, TMC
Apr. 2013 Senior Managing Officer, TMC
June 2014 Executive Vice President, Toyoda Gosei Co., Ltd.
June 2015 President, Toyoda Gosei Co., Ltd.
June 2020 Chairman, Toyoda Gosei Co., Ltd.
June 2021 Vice Chairman, the Company (to present)
June 2021 Director, Toyoda Gosei Co., Ltd. (to present)
June 2021 Outside Audit & Supervisory Board Member, Hino Motors, Ltd. (to present)

Masayoshi Shirayanagi 3

President Term of office as Director:
1 year

Chief Executive Officer

Apr. 1984 Joined Toyota Motor Corporation (TMC)
Apr. 2013 Managing Officer, TMC
Jan. 2018 Senior Managing Officer, TMC
Jan. 2019 Operating Officer, TMC
Jan. 2022 Operating Officer, the Company
June 2022 President, the Company (to present)

Shunichi Iwamori 5

Director, Operating Officer Term of office as Director:
1 year

Chief Financial Officer
Accounting & Finance Segment
Chief Purchasing Officer
Purchasing Segment

Apr. 1989 Joined Toyota Boshoku Corporation (now Toyota Boshoku Corporation)
Apr. 2017 Functional Officer, the Company
Apr. 2019 Global Grade S,* the Company
Apr. 2022 Operating Officer, the Company
June 2022 Director, Operating Officer, the Company (to present)

Akihiro Koyama 6

Outside Director Term of office as Director:
5 years

Apr. 1981 Lecturer (Full-Time), Faculty of Economics, Gakushuin University
Apr. 1988 Professor, Faculty of Economics, Gakushuin University
Mar. 1995 C4 (Full-Time) Professor, Faculty of Law and Economics, Bayreuth University, Germany
Sept. 1995 Professor, Faculty of Economics, Gakushuin University (to present)
June 2018 Director, the Company (to present)

Junko Shiokawa 7

Outside Director Term of office as Director:
2 years

Apr. 1995 Registered with the Dai-Ichi Tokyo Bar Association
Joined Nagashima & Ohno (now Nagashima Ohno & Tsunematsu)
July 1998 Seconded to London Office, European Bank for Reconstruction and Development
Oct. 2000 Joined the New York Office, Sullivan & Cromwell LLP
Apr. 2002 Admitted to the New York State Bar
Apr. 2005 Joined Barclays Capital Securities Japan Limited (now Barclays Securities Japan Limited)
June 2010 Joined the Hong Kong Office, Conyers Dill & Pearman
July 2010 Registered as a Foreign Lawyer in Hong Kong
Nov. 2014 Joined the Hong Kong Office, Harneys (Partner)
June 2017 Outside Director of Asahi Net, Inc.
Sept. 2018 Joined the Hong Kong Office, Withers (Partner)
June 2021 Director, the Company (to present)
Jan. 2022 Joined Hong Kong Office, Conyers Dill & Pearman (Consultant) (to present)

* Equivalent to previous Managing Officer, Executive Functional Officer and Functional Officer



(As of July 1, 2023)

Audit & Supervisory Board Members

4 Audit & Supervisory Board members, including 2 outside Audit & Supervisory Board members Average age: 67 years old

Hiroshi Ioki

4

Director, Operating Officer New appointment

Chief Manufacturing Officer
Top Plant General Manager

Apr. 1977 Joined Arakawa Auto Body Co., Ltd. (now Toyota Boshoku Corporation)
June 2012 Managing Officer, the Company
June 2012 President, Toyota Boshoku Asia Co., Ltd.
Apr. 2018 Executive Managing Officer, the Company
Apr. 2019 Operating Officer, the Company
June 2023 Director, Operating Officer, the Company (to present)

Takafumi Seto

8

Outside Director Term of office as Director: 1 year

Apr. 1996 Postdoctoral fellow, Japan Society for the Promotion of Science
Apr. 1997 Joined Mechanical Engineering Laboratory
Oct. 2001 Research scientist, National Institute of Advanced Industrial Science and Technology
Apr. 2007 Associate Professor, National University Corporation Kanazawa University
Sep. 2013 Professor, Institute of Science and Engineering, National University Corporation Kanazawa University (to present)
June 2022 Director, the Company (to present)

Kenichiro Ito

9

Outside Director Term of office as Director: 1 year

Apr. 1985 Joined NIPPONDENSO CO., LTD. (now DENSO CORPORATION)
June 2012 Executive Director, DENSO CORPORATION
Apr. 2019 Senior Executive Officer, DENSO CORPORATION
June 2021 Member of the Board of Directors and Senior Executive Officer, DENSO CORPORATION (to present)
June 2022 Director, the Company (to present)

Yasushi Minami

10

Standing Audit & Supervisory Board Member

Term of office as Audit & Supervisory Board Member: 3 years

Apr. 1977 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
Feb. 2012 Advisor, the Company
June 2012 Managing Officer, the Company
June 2015 Executive Managing Officer, the Company
Apr. 2016 Chairman, Toyota Boshoku Asia Co., Ltd.
Apr. 2017 President, Toyota Boshoku Asia Co., Ltd.
Apr. 2019 Operating Officer, the Company
June 2020 Standing Audit & Supervisory Board Member, the Company (to present)

Hiroyuki Yokoyama

12

Outside Audit & Supervisory Board Member

Term of office as Audit & Supervisory Board Member: 4 years

Apr. 1974 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
June 2008 Managing Officer, TMC
Apr. 2012 Senior Managing Officer, TMC
Apr. 2015 Adviser, Daihatsu Motor Co., Ltd.
June 2015 Executive Vice President, Daihatsu Motor Co., Ltd.
Jan. 2019 Executive Adviser, Daihatsu Motor Co., Ltd.
June 2019 Audit & Supervisory Board Member, the Company (to present)

Kazuo Koide

11

Standing Audit & Supervisory Board Member

New appointment

Apr. 1981 Joined Arakawa Auto Body Co., Ltd. (now Toyota Boshoku Corporation)
June 2014 Managing Officer, the Company
Apr. 2016 President, Toyota Boshoku (China) Co., Ltd.
Apr. 2019 Global Grade S,* the Company
Apr. 2021 Operating Officer, the Company
June 2023 Standing Audit & Supervisory Board Member, the Company (to present)

Hiroshi Miura

13

Outside Audit & Supervisory Board Member

Term of office as Audit & Supervisory Board Member: 1 year

Apr. 1985 Joined Eiwa Audit Corporation (now KPMG AZSA LLC)
Aug. 1989 Registered as Certified Public Accountant
Feb. 1992 Seconded to New York Office of Arthur Andersen LLP
June 2006 Representative Partner, KPMG AZSA & Co. (now KPMG AZSA LLC)
July 2009 Seconded to KPMG London Office (Head of EYMA Global Japanese Practice (GJP))
Oct. 2013 Executive Board Member, KPMG AZSA LLC
July 2019 Executive Officer, KPMG AZSA LLC
June 2021 Outside Audit & Supervisory Board Member, Maruwa Unyu Kikan Co., Ltd. (now AZ-COM MARUWA Holdings Inc.) (to present)
July 2021 Representative CPA, Global Management Advisory Office (to present)
Nov. 2021 Executive Director, ORIX JREIT Inc. (to present)
Mar. 2022 Outside Director, MonotaRO Co., Ltd. (to present)
June 2022 Audit & Supervisory Board Member, the Company (to present)

Operating Officers

Shoji Adachi

Regional Chief Executive Officer, Europe & Africa Region Segment
President, Toyota Boshoku Europe N.V.

Yasuhiro Fuetu

Chief Human Resource Officer, Human Resources & General Administration Segment

Hiroki Tsunoda

Chief Technology Officer, Research & Development Segment
Segment Chief, Seat Business Segment
BR PLM Department

Seiji Teraji

Segment Chief, Interior & Exterior Business Segment

Hidenori Ozaki

Regional Chief Executive Officer, The Americas Region Segment
President, Toyota Boshoku America, INC.

Masaki Kuroyanagi

Regional Chief Executive Officer, Asia & Oceania Region Segment
President, Toyota Boshoku Asia Co., Ltd.

Basic stance on compliance

The Toyota Boshoku group states in its Corporate Philosophy that the Company will promote corporate growth while fulfilling our responsibilities as a good corporate citizen. At the same time, the Company clarifies the nature and details of its compliance, its overall promotion system, as well as the scope and goals of activities on a global basis, and conducts activities under strong leadership from top management, while personnel in charge of legal affairs in each region share knowledge of issues as well as improve and strengthen compliance activities.

In addition, in order to put our Corporate Philosophy into practice, we have established the Toyota Boshoku Group Guiding Principles, which serves as the basis for compliance, and have distributed this to all company members. We strive to ensure thorough compliance through training at the points of joining the company and promotion, and prior to overseas transfers. Furthermore, we are raising awareness of compliance through activities such as Corporate Ethics Month, in which all Toyota Boshoku group company members participate.

The Board of Directors also monitors the status of these initiatives.

Strengthening compliance and initiatives for human rights

In addition to anti-bribery measures, and adherence to antitrust laws, the importance of respect for human rights is steadily increasing. The Toyota Boshoku group works to raise members' awareness of compliance and human rights and enhance the level of implementation through various training and educational activities for officers and company members. In doing this, we strive to achieve compliance with laws and regulations as well as co-existence with local communities through respect for various cultures, values and individuality. We have a global legal risk management system and continuously take steps to increase awareness of our whistle-blowing system while promoting continuous improvements to this system.

We have established "Anything Goes Counseling Window" as an internal window for discussing and reporting workplace problems, legal violations, and internal misconduct. Additionally,

Number of consultations from Toyota Boshoku and group companies in Japan

(FY)	2019	2020	2021	2022	2023
Anything Goes Counseling Window¹ (cases)	152	107	163	190	201
Compliance Consultation Window² (cases)	8	12	9	13	16

¹ Internal consultation and reporting desk for compliance and individual concerns, such as those related to work, human relations and family, etc.

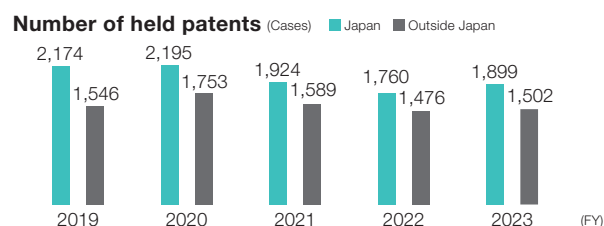
² External consultation and reporting desk for issues such as compliance, violations of laws, regulations and company rules, and unfair practices

we have contracted with a law office as an external window (Compliance Consultation Window). Those windows can be used by all group companies in Japan. In terms of our overseas initiatives, we have set up, and are making use of similar windows for countries outside Japan, including both within individual group companies and on a regional level. We are creating an environment in which it is easy to consult without harming the interests of the whistleblowers.

In fiscal 2023, we received, investigated, and took appropriate action concerning 217 reports and counseling requests (mostly concerning labor issues, harassment, and interpersonal relationships) from both within Toyota Boshoku and from group companies in Japan.

Intellectual property management

The Toyota Boshoku group recognizes that intellectual property is an important asset, and indispensable for global expansion and development of our business. Thus, in order to guarantee our business' freedom and market predominance, we are promoting a creation and discovery of inventions, as well as relevant patent applications and acquisition activities. We are also committed to respecting the intellectual property of others, and perform thorough investigation to ensure that neither our products nor our R&D infringes on any intellectual property. In addition, in April 2023, the Intellectual Property Strategy Division was established as an independent unit, putting in place a system for more strategic protection and utilization of intellectual property. The Board of Directors also monitors activities. More than ever, we will continue to promote IP investments in order to develop strategic IP activities. (→ p. 40)



Basic stance on risk management

The Toyota Boshoku group is working to comprehensively reinforce risk management and reduce risks in order to respond swiftly to major risks including management risk, risk in daily operations, risk associated with disasters and accidents, risk arising from the external environment such as global warming and water, and social reputation risk.³

³ Risk of losing societal trust

Risk management activities

We have established a global risk management system for the group centered on the Chief Risk Officer (CRO), and carry out more effective risk management activities such as through monitoring of the status of risk response by the Board of Directors.

Businesses, regions, the corporate operation unit and other functions are working together to counter pertinent risks and implement a PDCA (plan-do-check-action) cycle for risk management activities. In order to prevent and minimize damage to the wider Toyota Boshoku group, Toyota Boshoku strives to identify and manage risks in an integrated manner, and share risks within the group.

Risk management initiatives in fiscal 2023

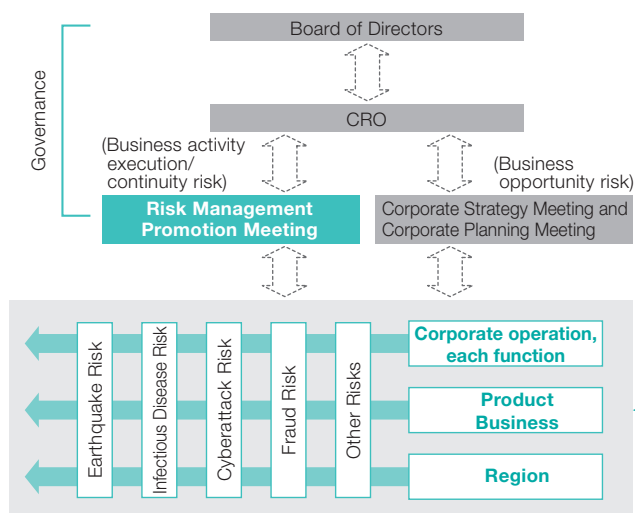
In fiscal 2023, under the global risk management system, we have worked to increase opportunities for mutual communication by disclosing and sharing information so that risk management activities can permeate not only in Japan but also in other countries.

In addition, we continuously develop our business continuity plan (BCP) with the aim of improving its effectiveness. We have conducted evacuation drills, stockpiled supplies for local residents, operated information tools (including a safety confirmation system), reviewed our response to and rules concerning COVID-19, and published manuals, among other measures.

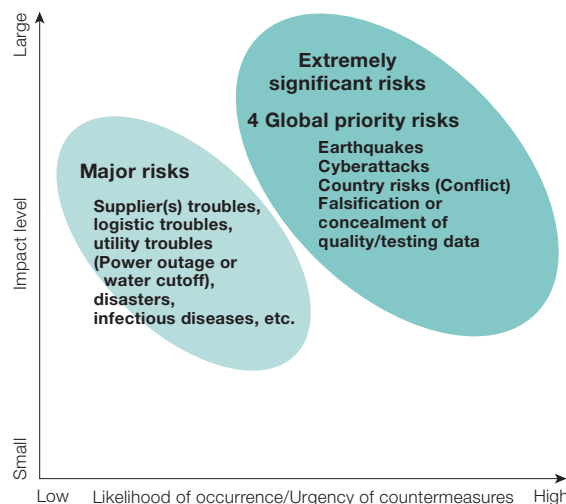
Global priority risks in fiscal 2024

Based on the results of the risk assessment for fiscal 2023, we selected global priority risks for fiscal 2024.

The risk management system, and associated activities

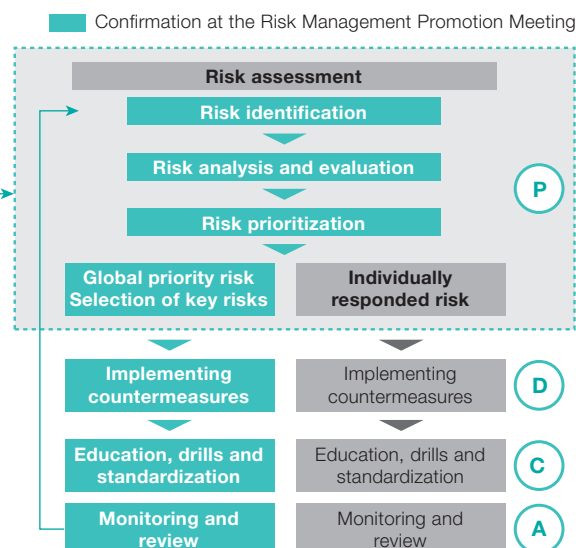


FY2024 Toyota Boshoku group risk map



Confidentiality management and information security

The Toyota Boshoku group considers the appropriate management of confidential information to be a key element of our business activities. We have both created a group-wide Information Security Policy, and assembled a global confidential information management system. Additionally, we are working together as one group to systematically and continuously strengthen our information security. In addition, once a year, the Company and its domestic and overseas consolidated subsidiaries collaborate to inspect the status of information security initiatives using the security guidelines, thereby improving internal systems,



rules, education, and technical measures to ensure the same level of security on a global basis. In addition to the establishment of systems, we believe in the importance of education, and regularly conduct activities to raise company members' security awareness such as through e-Learning training and drills in targeted e-mail.

The security guidelines are based on ISO 27001/27002, NIST (the United States' National Institute of Standards and Technology) Cybersecurity Framework, the Cybersecurity Management Guidelines of Japan's Ministry of Economy, Trade and Industry, etc., and are periodically reviewed to ensure they are responsive to changes in the environment.

We also update our confidentiality management rules and related procedures, and have introduced an internal information leak detection system to counter the risk of confidential information leaks.

In addition, we implement measures to counter unauthorized access gained through computer virus infection and other means, including ransomware, which has been on the rise in recent years. As well as our own measures, we have launched activities to raise the level of security measures throughout the supply chain, such as explaining the necessity of security measures and specific measures to our affiliates and suppliers.

Initiatives for digital transformation (DX)

(1) Digital human resource development

To ensure our future competitive advantage, the Toyota Boshoku group is committed to promoting DX for operational reform. In particular, "digital human resource development" is an indispensable initiative for company members to work together to promote DX with a sense of urgency.

We believe the following are necessary for the group's DX promotion:

- Promoting use of the optimal digital tools to support business process reform
- Strengthening human resources capable of making effective use in business of the growing volumes of data
- Acquiring knowledge for the safe use of digital tools/data

We will focus on education and other initiatives to develop human resources equipped with these capabilities.

(2) Four pillars of DX promotion

The group has defined and promotes four foundations as the scope of its DX initiatives.

a. MONOZUKURI foundation

Aiming to strengthen our MONOZUKURI competitiveness by enhancing and reforming our MONOZUKURI operations, from activities for winning orders through to development and production preparation, manufacturing

preparation, production and logistics, etc.

b. Management information infrastructure

Aiming to accelerate management decision-making by enhancing the aggregation and visualization of management information

c. Information utilization foundation

Aiming to contribute to business reform and new value creation by building a foundation that enables information retained by each project and business to be utilized across the entire company

d. Digital environment foundation

Further strengthening security measures to ensure the safety of systems and data, and promoting the development of digital human resources capable of making the best possible use of digital technology and data

(3) DX certification

In May 2022, we obtained DX-certified company status under the DX Certification System* established by the Ministry of Economy, Trade and Industry of Japan.

Additionally, in order to further accelerate DX initiatives, we established the DX & IT Promotion Segment under the leadership of the Chief Digital Officer, and have embarked on promoting the utilization of digital technology across the entire company, establishing an information utilization foundation, and promoting the development of digital human resources. We will continue to contribute to solving various social issues by fusing our group's strengths with digital technology.

* A government system for certifying companies that comply with the basic items of the Digital Governance Code and are DX strategy- and system-ready, based on the Act Concerning the Promotion of Information Processing

Details of our initiatives can be viewed on our website.

Compliance

<https://www.toyota-boshoku.com/global/sustainability/governance/compliance/>

Risk Management

<https://www.toyota-boshoku.com/global/sustainability/governance/risk/>

Initiatives for Intellectual Property

<https://www.toyota-boshoku.com/global/development/intellectual-property/>

DX at the Toyota Boshoku group

<https://www.toyota-boshoku.com/global/company/management/dx/>