

Summary of Q&A at FY2023(ending March 2023) ESG Briefing

Q1 : How much investment and cost do you anticipate for carbon neutral initiatives and CO2 reduction and what will be the return on this investment and cost?

A1 : For environmental investments and costs, we are currently formulating an investment plan in line with our medium-term management plan. Also, in response to the recent sharp rise in energy and other costs, we are currently examining our investment plan for 2030. We are actually setting up an Internal Carbon Pricing. We are reflecting concrete figures into our next medium-term management plan while making investment decisions based on our own targets for added value in relation to CO2 emissions.

Q2 : At the last motor show in Munich, Germany, BMW presented a seat that can be disassembled entirely by material at the touch of a button and is easy to recycle. How much cost and investment will be spent on this response? Is there potential for inquiries from OEMs?

A2 : We are considering developing a similar seat. Roughly speaking, the seats consist of a seat cushion, seatback, and metal. Seat cushions and seat backs are made of seat cover and urethane, respectively. We think that seat cover is easily recyclable as a mono-material. We are now studying the structure of both seat cushion and seat back so that they can be divided into 3 parts each from the assembly. Overall, the seat can be disassembled into 7 parts if you include the headrest. Metals are very easy to recycle. We are now considering how to circulate the seat cover and urethane as circular economy. Practical application is expected in two to three years.

Q3 : Another question is on page 20. I believe that you have been working on various initiatives about MX221 in the form of cooperation among the six companies. Please let us know if there are any new advanced discussions regarding this initiative among Toyota Group.

A3 : To disclose the vision of what it should be: Interior Space Creator, we will further enhance the contents of the six-company collaboration and prepare the MX221 to bring it to the Consumer Electronics Show in January next year. While

collaborate with Toyota Group companies such as TOKAI RIKA CO., LTD. and DENSO for the electrical parts, and Aisin for the sensor parts, we will handle the seats and interiors as our “home” products.

Now we are also supplying aircraft seats to ANA HOLDINGS INC. We assume that in a future MaaS world, seats will be replaced frequently. Therefore, using the idea of aircraft seats, we have created and prepared luxury, basic, and middle seats that can be easily replaced.

Q4 : Is there any possibility of restructuring or collaboration within Toyota Group in the future? In particular, DENSO CORPORATION and AISIN hold some of the shares of your subsidiaries as minority interests. I think there is room for profits to rise just by organizing those within Toyota Group. Please let me know how the discussion is progressing between Toyota Group companies.

A4 : We promote for the reorganization of Toyota Group by collaborate with Toyota group companies such as transferring our seat frame and function parts business from AISIN and Shiroki. For example, we bought shares of ARACO CO., LTD. from a private shareholder several years ago and made it a wholly owned subsidiary. We will continue to engage in activities to increase shareholder equity.

Q5 : For heat management and safety products, you need collaboration with DENSO on air conditioning, and with TOYODA GOSEI or TOKAI RIKA on safety associated with seat arrangements. To what extent is the cooperation within the Group progressing for the introduction of these specific products? These products could be installed in existing seats, vehicles, etc. When will these products be introduced? Please explain the stage of development, the level of progress and collaboration, and the timetable for the introduction into actual vehicles.

A5 : I believe that both heat management and safety products will become necessary by progress of autonomous and EV shifts. Regarding heat management, we are developing a human-friendly air conditioner that does not use much electricity, which will reduce the level of air conditioning in the cabin by utilizing the air conditioning in the seats, in line with the shift to EVs. As you mentioned, this is being developed together with DENSO. We are currently developing an integrated control system that will allow air conditioning of the seats at times and air conditioning of the cabin at other times. At some point, we would like to have Toyota EVs equipped with this system. The time frame would be after 2025. As for the safety seat, when a car is fully automated, it is no longer necessary

to be in the driver's seat. We are currently developing how to ensure safety when the seat moves. As you mentioned, we are jointly developing this product with TOYODA GOSEI, TOKAI RIKA, and TOYOTA. I think this will be adopted after 2025, probably initially in minivan class cars. At the end, it will be possible to utilize this technology in Level 4 and Level 5 of automated driving.

Q6 : I would like to ask President Shirayanagi for my second question. I believe it has been almost a year since you joined the Company. What do you feel are the strengths of your company, or areas that need to be improved or reformed, in realizing your vision for 2030 and beyond, and in promoting CSV management?

A6 : I came to Toyota Boshoku this year, but in 2002, I became the GM of the interior group at TOYOTA. Since that time, I have had a connection with this company, and we have had many discussions about what we should aim for. So here are a few things I have been feeling as I have been watching for a much longer time. Our main products are seats and door trims. These are very bulky parts, and we supply them globally. Therefore, if our production is interrupted, the production at the vehicle plant will stop immediately, which will cause tremendous inconvenience to the suppliers. This is a company that is doing this very tense operation on a global scale.

I have been thinking about this since my days at TOYOTA, but now that I have joined our company, I realize once again that our strength lies in the fact that we have a system and human resources on a global scale that can respond firmly to such matters. In addition to those manufacturing strengths, we are promoting activities to add strength to satisfy our customers and to be entrusted with more product areas and regions. This includes the business transfers from AISIN and Shiroki that were discussed earlier. I feel that we are making steady progress in our activities to further expand our territory.

We are also working on a technology roadmap to determine what kind of technology is needed to meet the future demands of our customers as Interior Space Creator, and we feel that we are making steady progress with MX and other technology development. In order to be Interior Space Creator, I feel that we need to change our business model to provide solutions and not just develop, make, and sell conventional good products. Therefore, in addition to the existing human resources, we also believe that we need human resources who can take on more innovative challenges, or a culture that allows them to do so. We have begun to invest in venture companies through CVC (Corporate Venture Capital), as well as to develop innovative human resources. In this sense, I feel that we

are making steady progress toward our desired status for 2025 and 2030.

What I have been saying ever since June, looking around the Company, is that we should not waste energy on wasteful things, but concentrate on using it to improve our products, our workplaces, or the Company itself. As we are in an era of rapid change, I believe it is necessary to speed up the management process. While maintaining good governance, we would like to promote the delegation of power and human resource development.

I also believe that the foundation for everything is the workplace culture. I would like to create a workplace culture where people can say what they want to say to each other in a lively manner. We are also working to provide harassment prevention trainings to all employees in the Company once again. We are also feeling that the situation is steadily getting better little by little. We will do this while keeping the reins tightened firmly toward 2030.

Q7 : How do you manage these KPIs and how often they are reviewed?

A7 : The person in charge is responsible for ESG KPIs and follows up on each KPI at the CSV promotion meeting held twice a year within the Company. To achieve our goals for 2025 and 2030, we hold biannual CSV promotion meetings to discuss our performance, the factors behind our failure to achieve our goals, and our plans for recovery. In addition, KPI items are added, reduced, or revised in response to changes in the environment. We are disclosing this information by updating it in our Integrated Report and on our website.

Q8 : For innovative human resource development, I think it is important to have the resources of engineers in various fields such as ergonomics, materials, production technology, etc. for seats. If your company has any areas that need to be strengthened, I would like to know about them.

A8 : Currently, the Technical Advisory Board, a group of university professors and experts, is discussing the future possibilities of the technology. In addition, we are promoting joint research with university laboratories, study abroad at venture companies, and cross-industry exchanges as part of our human resource development efforts, and we are committed to training the people we need in a timely manner.

Our company operates on a divisional system, with the Seat division, the Interior and Exterior division, and the Unit division each developing their own products. The production engineering department is also included in this, and is responsible for the delivery of the product to the factory and so on. In addition to those divisions, we have the Vehicle Interior Space Planning Center and the

New Value Creation Center. The MX221 is being developed at the Vehicle Interior Space Planning Center. The New Value Creation Center also conducts earth-friendly research such as the enhancement of plant growth using the force of the moon's gravitational ebb and flow, the nurture of Chinese soft-shell turtles, and the production of new biodegradable plastic from seaweed that can no longer be used, and finally returning it to seaweed. The Vehicle Interior Space Planning Center and the New Value Creation Center are responsible for innovative creation for the future.