



**TOYOTA BOSHOKU  
REPORT**

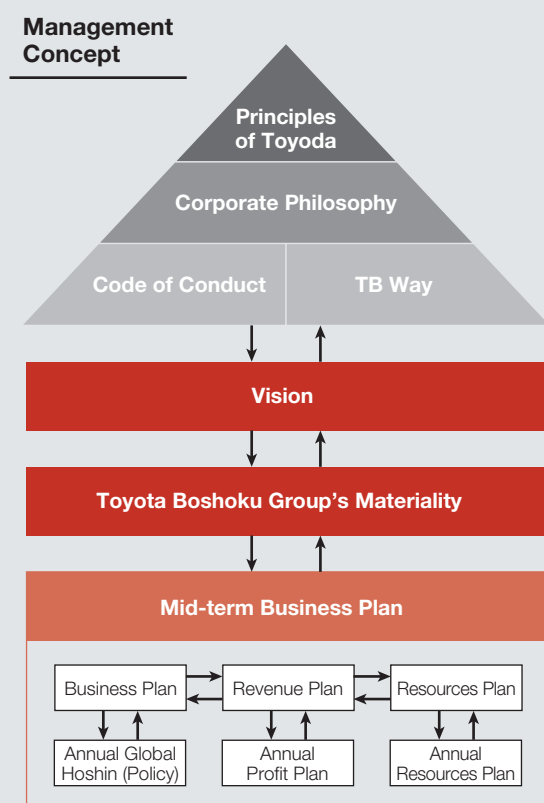
**2022**

— 2021.4.1–2022.3.31 —

QUALITY OF TIME AND SPACE



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# On publishing the Toyota Boshoku Report

To achieve sustainable growth, 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. Currently, we are promoting the 2025 Mid-Term Business Plan, which incorporates measures to realize materiality.

This report is a tool for deepening constructive dialogue with our stakeholders, and in it we report on how the group is thinking about the future and acting to enhance our corporate value over the medium- to long- term. We encourage you to read the report and provide us with your honest feedback about the group.

With the Principles of Toyoda—which summarize the ideas of Sakichi Toyoda, the founder of Toyota group—as our starting point, we introduce the strengths we have acquired over our history spanning more than a century, as well as our approach to developing our business in the future based on current market conditions. Through two chapters, we explain the connection between the “values” that the group holds dear and the “value creation process,” which is a mechanism for long-term, sustainable value creation.

**Topic covered**

Values / Business Model

What value do we provide to society in order to achieve sustainable growth? This chapter explains the group's vision, management message, environmental initiatives, sustainability management system, strategies, and our approach to financial and non-financial KPIs to monitor progress.

**Topic covered**

Long-Term Vision / Risks & Opportunities / Key Performance Indicators (KPIs)

There are messages from the Chief Officers and other chiefs, and we report on progress with the Priority Actions in our 2025 Mid-Term Business Plan. In addition, our special feature covers Toyota Boshoku group's aim of becoming an Interior Space Creator and our goal of diversity and inclusion at our sites of production.

**Topic covered**

Implementation Strategies / Outcomes

We carry out transparent, fair and prompt decision-making from the standpoint of all stakeholders, and this chapter covers matters including compliance with the Corporate Governance Code. We also feature a conversation between Akihiro Koyama, an outside director, and Hiroyuki Yokoyama, an outside Audit & Supervisory Board member, in which they talk about the Board of Directors.

**Topic covered**

Governance

While information such as the details of the materiality formulation process and the mid-term business plans through fiscal 2021 has been covered in previous Toyota Boshoku Reports, we have also included this information and data as supplementary information in this chapter, as it is necessary for an understanding of our group's value creation.

## Editorial policy

### Scope of reporting

The information in this report applies to the Toyota Boshoku group in Japan and other regions throughout the world. However, the scope of reporting differs for each initiative. Information disclosure in this report is carried out using the following reporting definitions:

**Toyota Boshoku group**: Japan, The Americas, China, Asia & Oceania, and Europe & Africa regions

**Toyota Boshoku**: Toyota Boshoku Corporation

**Japan region**: Toyota Boshoku Corporation and Japan affiliates

**Outside Japan**: The Americas, China, Asia & Oceania, and Europe & Africa regions

The scope for some items is stated on the respective pages.

### Period covered by the report

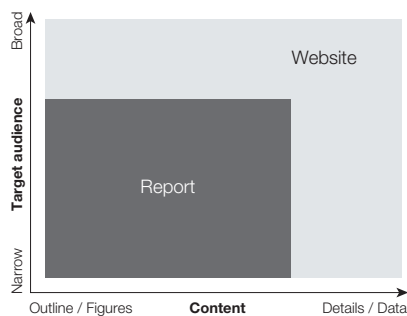
This report contains performance data for fiscal 2022 (from April 1, 2021 to March 31, 2022). Some information on activities outside this period is also included.

### Reference guidelines

- VRF International Integrated Reporting Framework (International <IR> Framework)
- Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
- GRI Sustainability Reporting Standards (GRI Standards)
- ISO 26000
- Environmental Reporting Guidelines 2018

### Importance and completeness

This report focuses on information of particular importance and has been edited so as to be easy to read and understand. Further information is disclosed on our website. (<https://www.toyota-boshoku.com/global/>)



### Cautionary statement with respect to forward-looking statements

This report contains forecasts and expectations that relate to future plans and strategies in addition to the expected financial results of Toyota Boshoku Corporation and the Toyota Boshoku group. These statements are not based on actual results from the past. Rather, they are estimates based on assumptions and opinions that have been formed by the Company from the information available at the time of writing. They also involve risks and uncertainties relating to economic trends, the severe competition affecting the automobile industry and changes in global demand, taxation regulations, laws, systems, natural disasters, and other matters. Accordingly, actual results may differ from the Company's forecasts.

### Numerical values of financial results

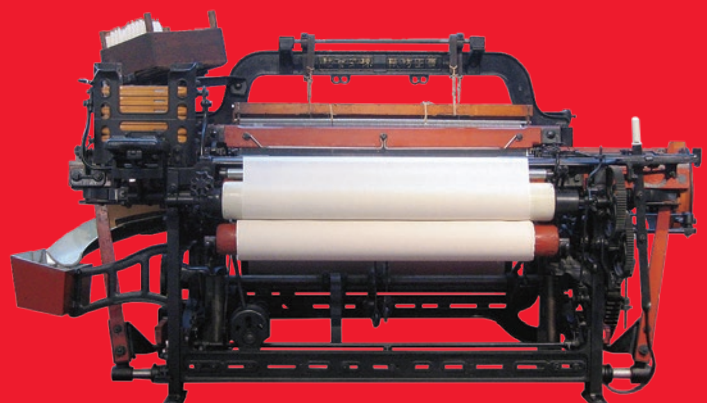
The numerical values of financial results have been rounded off in this report.

The significance of our existence

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# Inheriting our founding spirit of “for the world and for people.”

Sakichi Toyoda, the founder of the Toyota group and also the founder of Toyoda Boshoku (the forerunner to Toyota Boshoku), was driven by a desire to help others and serve his country. For more than 30 years, he made numerous improvements to looms, from the hand loom to the non-stop shuttle change Toyoda automatic loom (Type G automatic loom), which delivered world-leading performance. Growing a business by contributing to society through invention, tapping into one's own wisdom to create something new. Arguably, this embodied what we now call Creating Shared Value (CSV), or the simultaneous realization of social and economic value. We cherish this aspiration, which has been handed down to us for over 100 years, and are striving to become a company that continues to be needed by society, by working earnestly to resolve social issues through our business operations.



Type G automatic loom  
Image provided by Toyota Commemorative Museum of Industry and Technology



With “for the world and for people” as our starting point

## Philosophy

### Principles of Toyoda

Handing down the spirit of Sakichi Toyoda (established in 1935)

- Always be faithful to your duties, thereby contributing to the company and to the overall good.
- Always be studious and creative, striving to stay ahead of the times.
- Always be practical and avoid frivolousness.
- Always strive to build a homelike atmosphere at work that is warm and friendly.
- Always have respect for spiritual matters, and remember to be grateful at all times.



Sakichi Toyoda



### Corporate Philosophy

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

### Code of Conduct

As members of the Toyota Boshoku group, we declare that we will observe rules and carry out sensible actions in accordance with this code of conduct.

#### 1. Business activities

- (1) Dealings with customers (2) Dealings with suppliers (3) Dealings with political parties and public agencies
- (4) How to respond to anti-social forces (5) Ensuring safety and quality (6) Consideration of the environment
- (7) Global business activities (8) Protection of company assets
- (9) Respect for intellectual property rights (10) Handling of confidential information

#### 2. Relations between employees and the company

- (1) Global human resources development (2) How to build a meaningful workplace (3) Prohibition of illegal and antisocial acts

#### 3. As members of society

- (1) A healthy social lifestyle (2) Contribution to society (3) Corporate information and publicity (4) Insider trading (5) Traffic safety

### TB Way

We contribute to society by developing leading-edge technologies and manufacturing high-quality products.

1. We meet challenges with courage and creativity, to realize our dreams.
2. We carry out *kaizen* continuously, aiming to achieve higher goals.
3. We practice *genchi-genbutsu* by going to the source to analyze problems and find their root causes.
4. Once a decision is made, we move quickly to carry out the plan, with passion and a sense of mission.
5. We seek to do our best, act professionally and take responsibility for our actions.
6. We respect the values of other cultures and accept differences, with an open mind and a global perspective.
7. As a good corporate citizen, we do what is right and contribute to society.
8. We respect the individual and use teamwork to produce the best result.

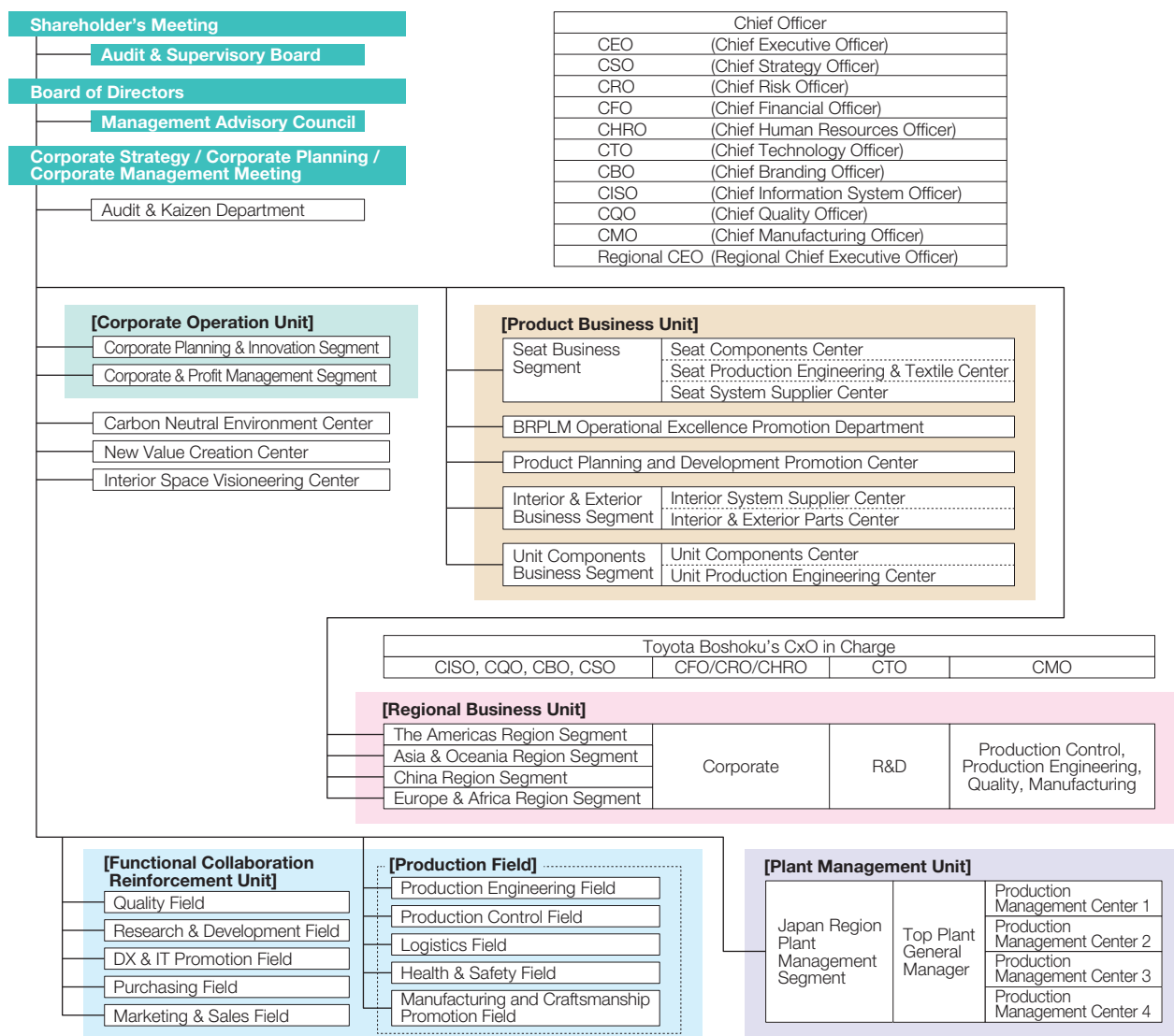
## Corporate outline / Organization

### Corporate data

Location	1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
Capital	8.4 billion yen
Revenue	1,421.4 billion yen (As of March 31, 2022)
Number of employees (excluding temporary employees)	8,264 (non-consolidated) 44,264 (consolidated) (As of March 31, 2022)
Founded	1918
Established	1950
Independent auditor	PricewaterhouseCoopers Arata LLC
Shareholder register administrator	Mitsubishi UFJ Trust and Banking Corporation



### Organization Chart As of June 14, 2022

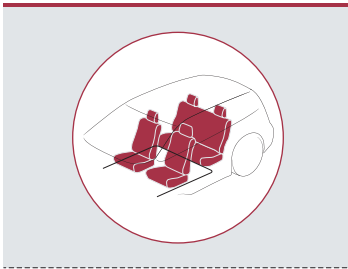


With “for the world and for people” as our starting point

## Our business and regions of operation

### Three product businesses

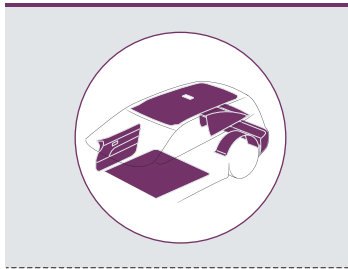
#### Seat Business



Automobile seats  
Non-automobile seats

Business revenue **1,051.1** billion yen

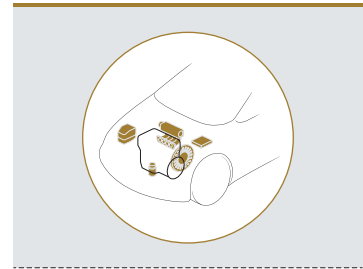
#### Interior & Exterior Business



Interior components  
Exterior components

Business revenue **272.7** billion yen

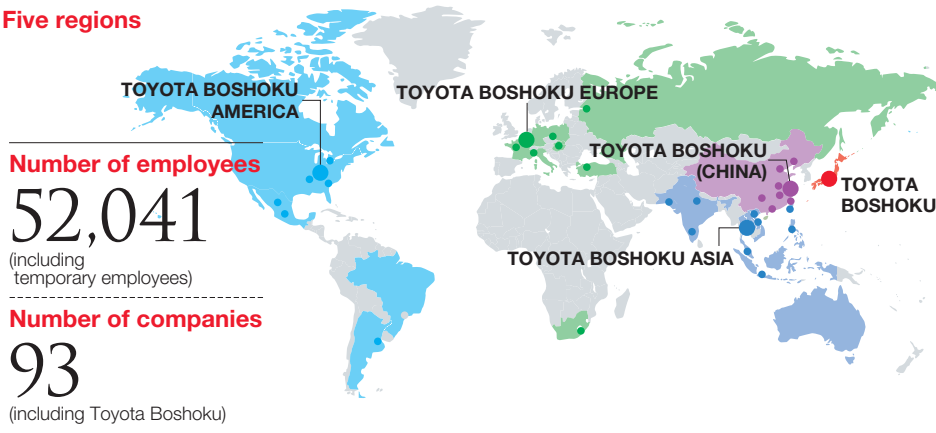
#### Unit Components Business



Filter products  
Plastic parts for internal combustion engine (ICE)  
Fuel cell-related products  
Electric powertrain-related products

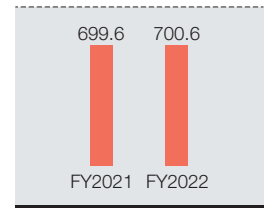
Business revenue **97.5** billion yen

### Five regions



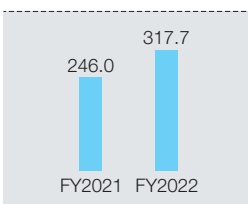
#### Japan

Affiliates **21** companies  
Number of employees **14,969**  
Revenue **700.6** billion yen  
(up 0.1% year-on-year ↗)



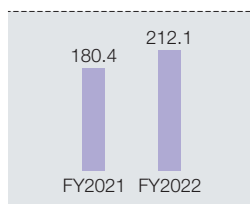
#### The Americas

Affiliates **20** companies  
Number of employees **12,795**  
Revenue **317.7** billion yen  
(up 29.2% year-on-year ↗)



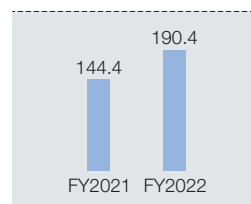
#### China

Affiliates **18** companies  
Number of employees **9,262**  
Revenue **212.1** billion yen  
(up 17.6% year-on-year ↗)



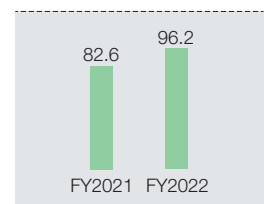
#### Asia & Oceania

Affiliates **23** companies  
Number of employees **9,196**  
Revenue **190.4** billion yen  
(up 31.8% year-on-year ↗)



#### Europe & Africa

Affiliates **10** companies  
Number of employees **5,819**  
Revenue **96.2** billion yen  
(up 16.5% year-on-year ↗)



Revenue of each region is before deduction of internal sales

Financial and non-financial data ▶ P. 35, 36

As of March 31, 2022



**Revenue**

1,421.4 billion yen



**Operating profit ratio**

4.2%



**ROE**

10.9%



**Total equity**

423.8 billion yen



**Ratio of equity attributable to owners of the parent**

40.0%



**Dividend payout ratio**

30.5%



**CO<sub>2</sub> emissions**

312.3  
t-CO<sub>2</sub>/1,000 unit  
(FY2014)

 **1.6**  
% reduction

307.2  
t-CO<sub>2</sub>/1,000 unit  
(FY2022)



**Waste generation**

3.9  
t/1,000 units  
(FY2012)

 **17.9**  
% reduction

3.2  
t/1,000 units  
(FY2022)



**R&D expenses**

44.8  
billion yen



**Number of patents held  
(total of Japan and outside Japan)**

3,236



**Number of trees planted  
(cumulative)**

330  
thousand trees  
(FY2016)

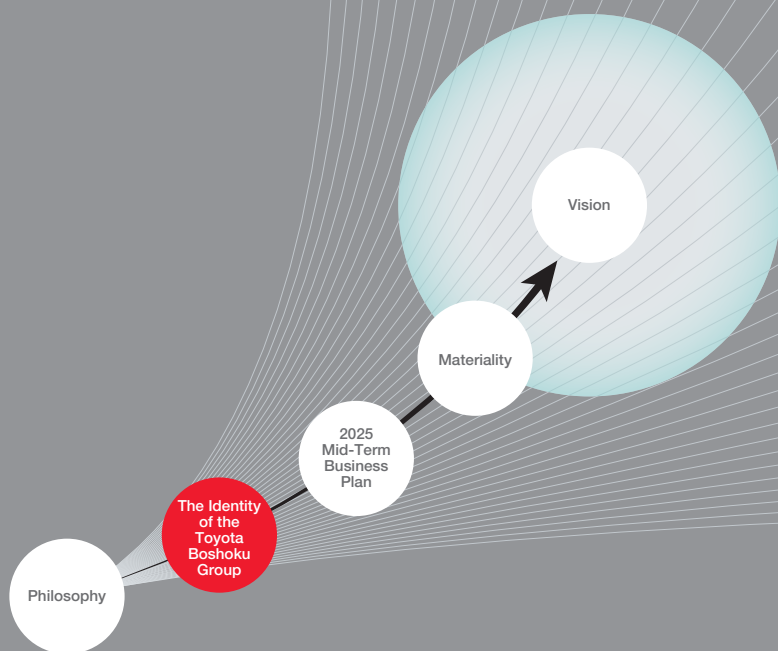
 **+250**  
thousand trees

580  
thousand trees  
(FY2022)

# Capital and Strengths

Our competitive advantage, cultivated over more than 100 years

- 09 Value creation process
- 11 The path of value creation
- 13 The identity of the Toyota Boshoku group (management resources)
- 15 Market environment and future business development



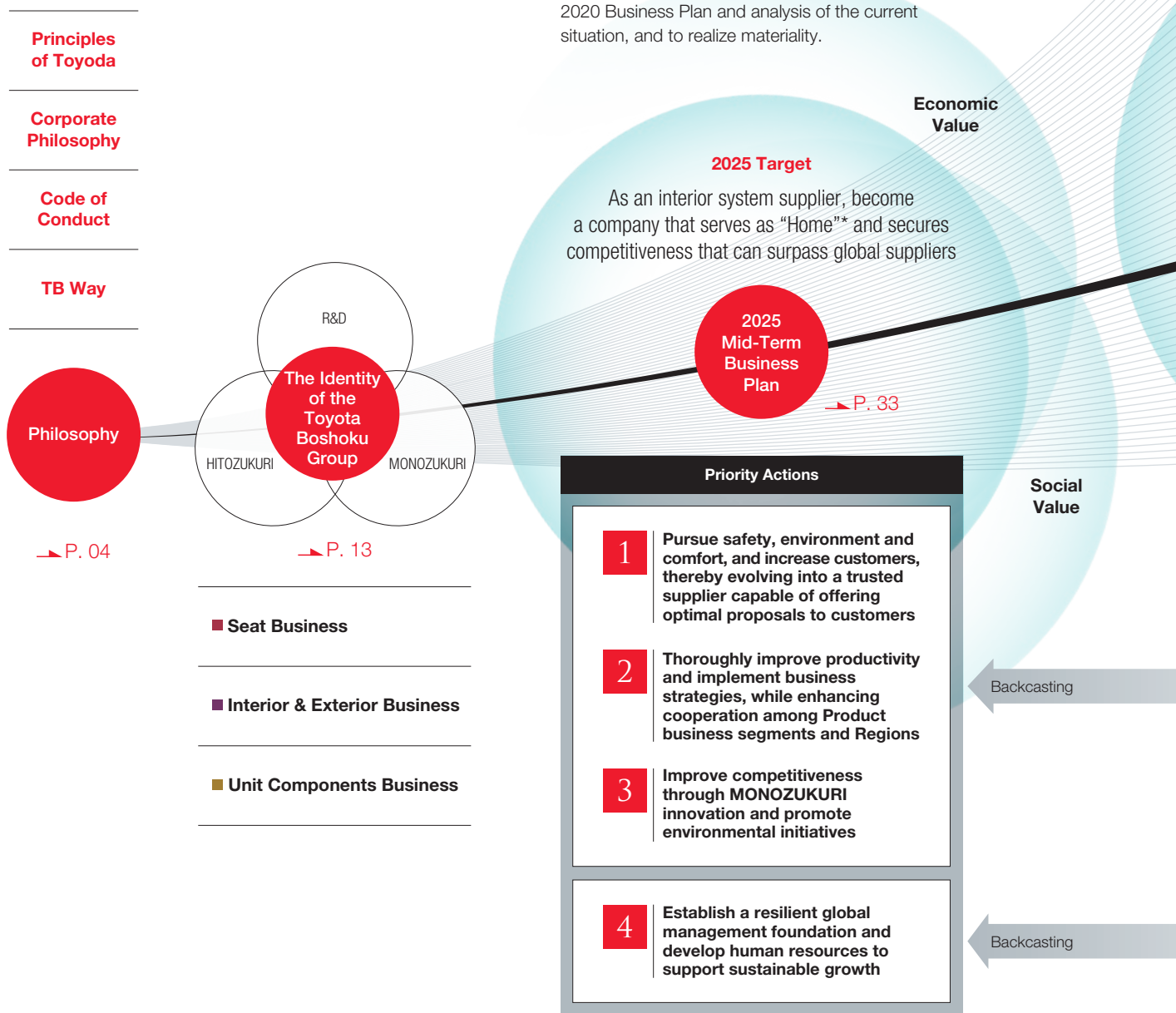


To realize our Vision, we have drawn up our desired status for 2030 and we will steadily implement plans.

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.

**Five-year action plan starting in fiscal 2022 aimed at achieving materiality**

Formulation of the 2025 Mid-Term Business Plan to resolve issues identified through a review of the 2020 Business Plan and analysis of the current situation, and to realize materiality.



\* "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.

Our competitive advantage, cultivated over more than 100 years

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



P. 31

### Our materiality

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

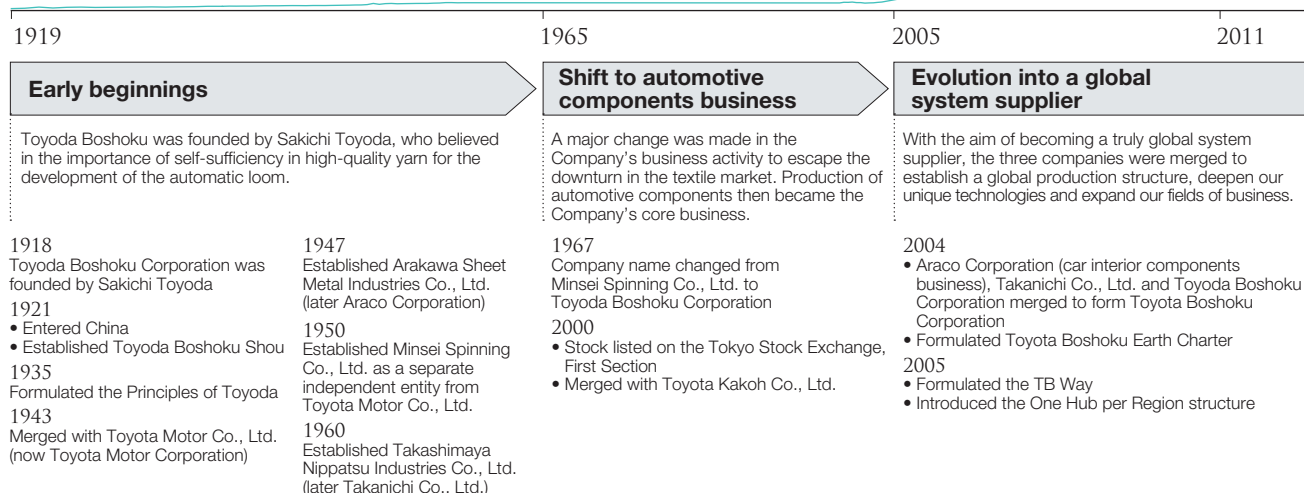
- 4 We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork
- 5 We will continue to be a company of integrity trusted by all our stakeholders, inheriting our tradition of fairness and moral behavior to the next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




## Combining a focus on R&D with a commitment to MONOZUKURI and HITOZUKURI

Revenue  
FY2007  
Exceed 1 trillion yen for the first time

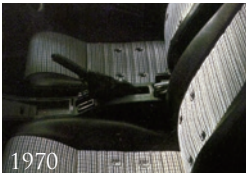




### Management



### Strengths / Our identity (management resources)

<b>R&amp;D</b>	Thinking first and foremost of the customers who will actually use our products, we are constantly striving to develop cutting-edge technologies so as to create products that will exceed their expectations and inspire them.	<ul style="list-style-type: none"> <li>2008 Established Research Laboratories (now New Value Creation Center)</li> <li>2010 Completed construction of the No.2 building of the Sanage Technical Center</li> <li>2011 Opened Milan Design Branch</li> <li>2013 Developed high impact polymer resin together with Toyota Central R&amp;D Labs., Inc.</li> <li>2014 Completed Tajimi Technical Center proving ground</li> </ul>
<b>MONOZUKURI</b>	We are accelerating initiatives throughout the supply chain to strengthen our competitive advantage, build next-generation production lines utilizing AI and automation technologies, and improve the efficiency and sophistication of manufacturing.	<ul style="list-style-type: none"> <li>2006 Launched Skills Competition</li> <li>2010 First participation of business entities from outside Japan in Skills Competition</li> </ul>
<b>HITOZUKURI</b>	We are promoting the creation of a workplace in which all company members can work vibrantly, and where diverse human resources are drawn by the appeal of the Toyota Boshoku group, leading to self-fulfillment and job satisfaction.	<ul style="list-style-type: none"> <li>2008 Established the Toyota Boshoku Technical Skills Academy</li> <li>Completed the Global Learning Center</li> <li>2011 Started operations at Technical Skills Training Center</li> </ul>  <p>Global Learning Center</p>

### Business and product changes

 <p>1970 Started development of automotive seat fabrics</p>	 <p>1985 Started full-scale production of automotive filters</p>	 <p>2009 Started production of cabin air filter material using the Dual Layer Melt Blown Construction Method</p>	 <p>2013 Started production of motor core constituent parts using the FHS process<sup>1</sup></p>	 <p>2013 Received first order for railway seats utilized in the Gran Class of the Hokuriku Bullet Train (Shinkansen) (Photo provided by East Japan Railway Company)</p>
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1 Fine Hold Stamping process: Our proprietary high-precision, high-speed stamping technology

2 Task Force on Climate-related Financial Disclosures

3 A venerable and prestigious award sponsored by R&D World Magazine in the US. Honors the 100 most outstanding products and technologies developed by world-class research institutions and companies and put to practical use in the past year



Our competitive advantage, cultivated over more than 100 years

Revenue  
FY2022

1,421.4 billion yen

2016

2017

2018

2019

2020

2021

2022

2023 (FY)

**Towards the future**

Toyota Boshoku group is accelerating reform and taking steps for the future, amid a once-in-a-century transformational period in the automotive industry.

**From CSR to CSV management**

Based on our Materiality, Toyota Boshoku group is aiming to achieve sustainable growth in the face of changing social and economic conditions resulting from the coronavirus pandemic.

- 2015 Integrated the seat frame mechanism component businesses of Aisin Seiki Co., Ltd. (now Aisin Corporation) and Shiroki Corporation into the Company
- 2016
- Changed management structure (product business-based organization)
  - Announced 2050 Environmental Vision
  - Announced 2020 Mid-term Business Implementation Plan

- 2018
- Announced 2020 Business Plan
  - Celebrated 100th anniversary
- 2019 Established TOYOTA BOSHOKU AKI USA, LLC as a joint venture with Delta Kogyo Co., Ltd. and Toyo Seats Co., Ltd.

- 2020
- Completed the main building
  - Formulated Materiality
  - Announced 2025 Mid-Term Business Plan
  - Endorsed the TCFD<sup>2</sup> recommendations

- 2021
- Introduced Chief Officer System
  - Partially transferred Shiroki Corporation's commercial rights in automotive seat frame mechanism parts for Suzuki Motor Corporation, Daihatsu Motor Co., Ltd. and Mazda Motor Corporation
  - Established the Business Incubation Department to promote open innovation

- 2022
- Moved to the Prime Market, a new market segment of the Tokyo Stock Exchange
  - Obtained DX-certified company status
  - Opened the Hall of Our Steps
  - Signed agreements with Aisin Corporation and Shiroki Corporation to transfer the production of automotive seat frame mechanism parts



Hall of Our Steps

- 2015 Developed new seat frames boasting light weight and high rigidity
- 2016 Established Silicon Valley Office of Toyota Boshoku America, Inc.



- 2017 Signed an agreement on comprehensive promotion of industrial-academic collaboration with National University Corporation Kanazawa University
- 2018
- Concluded an agreement with Tokai National Higher Education and Research System, Nagoya University to jointly research tide generating force
  - Exhibited for the first time at CES 2019, the world's largest consumer electronics trade show
- 2019 High impact polymer resin won the 2019 R&D100 Award<sup>5</sup>

- 2020 Participated in autonomous driving demonstration testing
- 2021
- Conducted demonstration tests of anti-droplet partition, and started advance trial sales
  - Introduced a driving simulator
  - Aircraft seat was approved as "Boeing Offerable Product" for the Boeing 787
  - Participated in demonstration test for a new mobility experience with the rideable fuel cell bus attraction MOOX on FC Bus

- 2016 Established Global Quality Learning Center
- 2017 Took part in the 44th World Skills Competition for the first time and won a gold medal in the mechatronics category

- 2018 Concluded a cooperation agreement with National University Corporation Iwate University centered on industrial technology development
- 2019
- Completed the MONOZUKURI Innovation Center
  - Toyota Boshoku was recognized as a Water Security "A List" Company, the Top Ranking, by CDP<sup>4</sup>

- 2020 Received the highest rating in the CDP Supplier Engagement Rating and was elected to the Leaderboard for the first time
- 2021
- Kariya Plant and Unit Production Engineering Center won the Deming Prize<sup>6</sup>
  - Started a project to develop upcycled products using automotive parts and other materials

- 2015 Held the first Global Week<sup>6</sup>
- 2016 Started vibrant work style innovation
- 2017 Launched application of Global HR Platform

- 2018 Launched GEDP for global executive training and GLDP for next generation leader training (→ see page 80)
- 2020
- Started GSCT to discuss succession planning for executive management on a global level
  - Established the Safety Health Environment fruitful Think and Act Center (SHE-TAC)



MONOZUKURI Innovation Center

- 2021 Certified as an Excellent Enterprise of Health and Productivity Management (White 500)
- 2022 Launched Innovative Ability Enhancement Program



2013 First application of seats made using the Foam in Place Method



2014 Started production of fuel cell-related products (separators)



2015 Jointly developed the Company's first aircraft seats with All Nippon Airways Co., Ltd.



2020 MOOX Participated in a demonstration test at Aichi Earth Expo Memorial Park



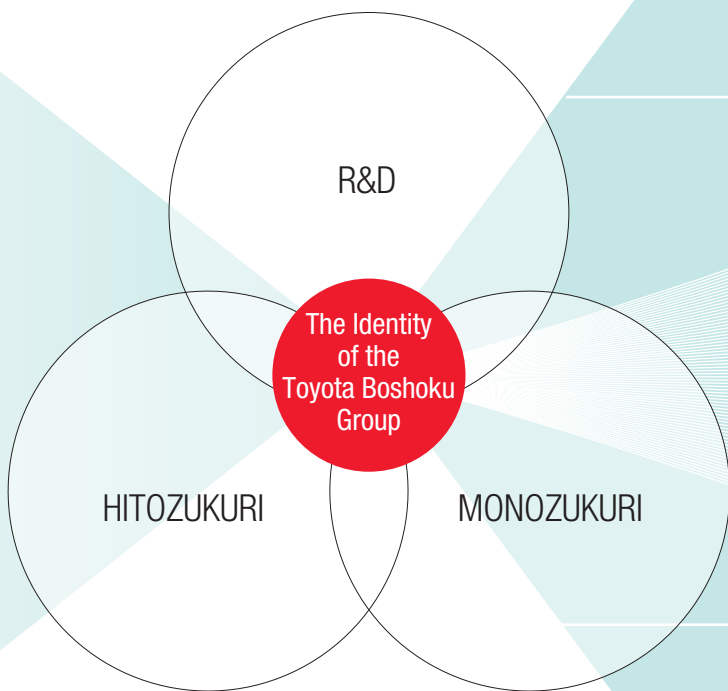
2022 MX221 Presented at CES 2022 (→ see page 39)

4 Carbon Disclosure Project: A non-governmental organization (NGO) established in the UK that operates a global information disclosure system to help investors, companies, cities, nations, and regions manage their environmental impact

5 The top-ranking global award for TQM (Total Quality Management). Awarded to private-sector organizations and individuals who have made significant contributions to the advancement of TQM.

6 An annual event that brings together company members under one roof, including officers, entity top management of Japan and outside Japan and next-generation leaders, to discuss issues affecting the Toyota Boshoku group, as well as the group's future direction.

Aggressive investment in management resources,  
the source of sustainable value creation



Strengths / Our identity  
(management resources)

Pursuing “comfort” in mobility spaces based on “safety” and “environment”

R&D

- Product development that considers the customers who will use the products
- Passion, sense of mission, tenacity
- Global collaboration for better products
- Innovation

Cultivated over 100 years, creating “affection” based on “trust” and “reassurance”

MONOZUKURI

- Customer First
- Fusion of reasonable price, high-quality products with cutting-edge technology
- *Kaizen* (continuous improvement)
- Find the root cause of a problem through *Genchi-Genbutsu* (go, see & study)

Combining and maximizing the power of 50,000 global members to support future value creation

HITOZUKURI

- Diverse values
- Teamwork
- Challenging spirit
- Honesty and sincerity



Our competitive advantage, cultivated over more than 100 years

(Figures are as of March 31, 2022)

## Policy in the 2025 Mid-Term Business Plan

In order to offer high-quality time and space in all forms of mobility, we take on the challenge of R&D with an insatiable curiosity and spirit of inquiry, while staying ahead of the current trends. We are committed to developing high-quality and safe products with passion, a sense of mission, and tenacity in a global collaborative system that sets high goals and achieves them.

<b>R&amp;D foundation</b>	Development bases	13 bases
	R&D expenses	44.8 billion yen
<b>Intellectual property</b>	Number of patents held	Japan 1,760
		Outside of Japan 1,476

As the automotive industry enters a once-in-a-century transformational period, the Toyota Boshoku group is advancing with R&D in response to the evolution of technologies such as CASE<sup>1</sup> and MaaS,<sup>2</sup> and to changing values in relation to automobiles. We are also focusing on investment in and collaboration with startup companies, aiming to create new value in the interior space through synergy with our technologies.



Priority Action 1 → P. 47

It is important for us to always keep in mind the end user's perspective, with an awareness of "B to B to C," whereby we are trusted and chosen by customers. Based on the concept that people are the foundation of MONOZUKURI, we promote manufacturing with an emphasis on HITOZUKURI. We have set ourselves the challenge of developing environmentally sound production and manufacturing technologies for the next 100 years through a fusion of reasonable price, high-quality products with cutting-edge technology.

<b>Manufacturing foundation</b>	Manufacturing sites	123 sites
	Capital investment	38.3 billion yen
	Total number of contestants in the All Toyota Boshoku Skills Competition (1st to 15th competition total*)	2,606

\* First held in Japan in fiscal 2007. Held annually on a global basis since fiscal 2011. However, due to the coronavirus pandemic, the competition was canceled in fiscal 2021, and in fiscal 2022 only one category was held online globally, while the other categories were held only in Japan.

Through collaboration from the design stage, our production plants will be transformed into highly profitable plants, including new automated processes with logistics routes and work waste elimination. In addition, we will comprehensively promote local independence, visualization, and human resource development initiatives at our production sites.



Priority Action 2 → P. 53 Priority Action 3 → P. 57

The Toyota Boshoku group has a corporate culture that respects diversity, where we learn and grow together; and teamwork that challenges us to unite our minds with honesty and sincerity. By fostering a challenging spirit that leads to self-fulfillment and job satisfaction, we aim to realize our vision of diverse human resources being drawn by the appeal of the Toyota Boshoku group, with company members working vibrantly in all regions worldwide.

<b>Diverse human resources globally</b>	Number of group members*	52,041
	Proportion of members working in regions outside Japan*	71.2%
<b>Collaboration with business partners</b>	Number of companies that participated in the Annual Supplier Meeting online	161

\* Including temporary company members

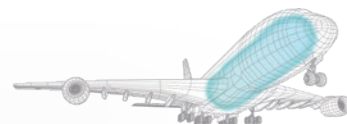
We are working to create workplace environments and systems that allow each and every company member to maximize their abilities and work with peace of mind. We will further promote vibrant work style innovation, create an environment that eliminates waste and focuses our resources on operations, and actively utilize IT. Furthermore, we will enhance our human resources and organizational capabilities by establishing a personnel system that inspires company members to take on new challenges, and by promoting diversity.



Priority Action 3 → P. 57 Priority Action 4 → P. 61

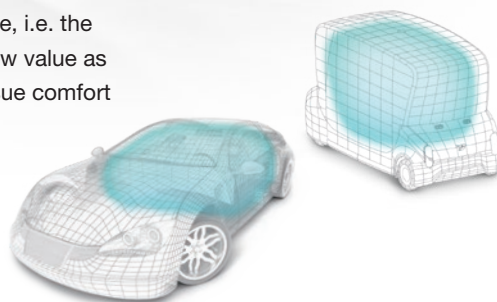
1 Connected, Autonomous, Shared, and Electric

2 Mobility as a Service: This is a concept for seamlessly linked new mobility that combines all types of transportation other than personally owned vehicles as one service



## Aiming to be an Interior Space Creator, leading the creation of new value for mobility spaces

As a system supplier, the Toyota Boshoku group integrates the entire space, i.e. the components of mobility, as a single package. We will continue to create new value as an Interior Space Creator by providing solutions to realize spaces that pursue comfort based on the premise of safety and the environment.

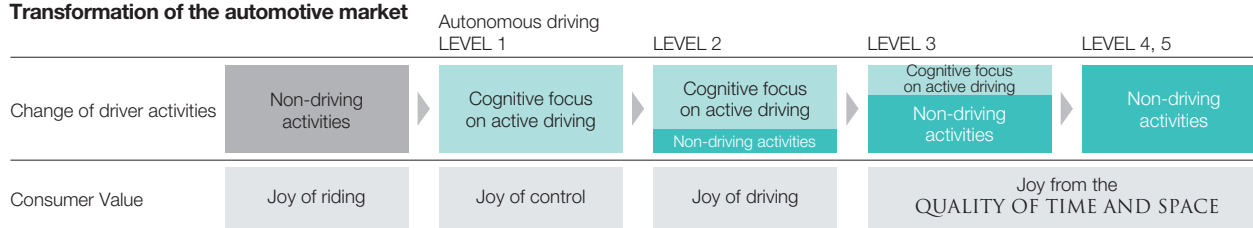


## Responding to the evolution of technologies such as CASE and MaaS, and changing values in relation to automobiles

The automotive market is facing a period of major change, said to occur only once every 100 years. The Toyota Boshoku group is advancing with R&D in response to the evolution of technologies such as CASE and MaaS, and to changing values in relation to automobiles. For example, in terms of the evolution of autonomous driving technology, we are leading the creation of new value for mobility spaces. This includes the creation of

MX (Mobility eXperience) 221, an interior space for rideshare mobility that assumes autonomous driving level 4, and MOOX,\* which envisions the use of space for a variety of services. We are also expanding and upgrading our products that support electrification in order to adapt to changes in energy in society—from engines to hybrids, hydrogen fuel, and electrification.

### Transformation of the automotive market



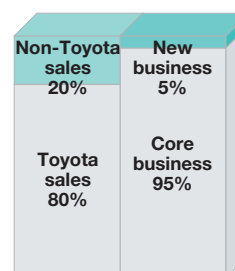
\* A word coined from the combination of MOBILE and bOX, this means a private space that can be utilized freely while in motion. An autonomous driving concept vehicle in which the space is utilized for a variety of services.

## Implementing a business portfolio strategy aimed at our desired status for 2030

We aim to be a company that creates an environmentally sound society in which people of all generations have smiles on their faces and lead enriched lives.

With the goal of creating new value as an Interior Space Creator, which is our desired status for 2030, we aim to achieve a ratio of 20% of sales to companies outside of Toyota Motor Corporation by strengthening our competitive advantage and offering multi-dimensional value.

In addition, our aim is for 5% of revenue to come from new business, by promoting operations that are compatible with CASE and MaaS, and by creating new value.



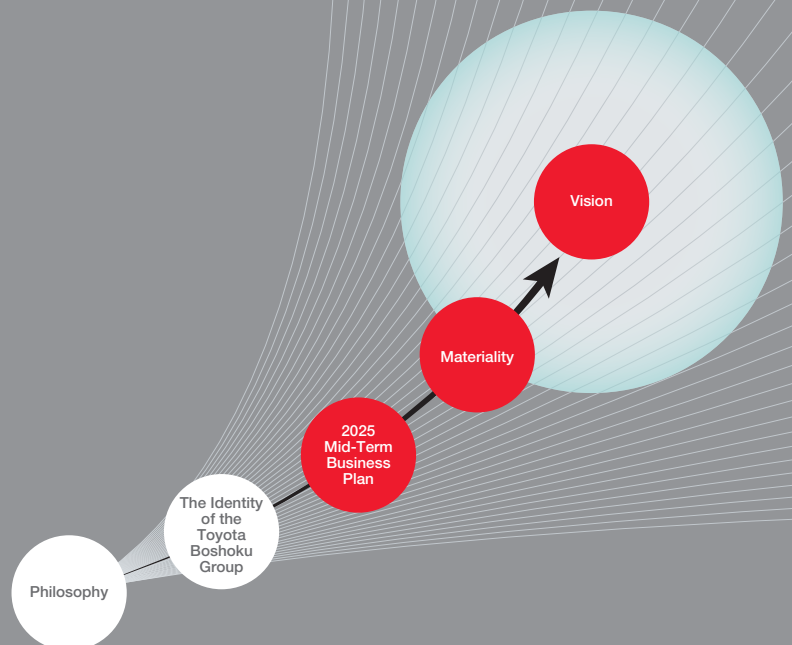




# Vision and Strategy

Roadmap to value creation and management techniques

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Masayoshi Shirayanagi  
President  
Chief Executive Officer



## We aim to be a company about which all of our stakeholders say, “I like Toyota Boshoku”

### Inaugural message from the President (management concept)

#### Continuing to be a company of choice

I have recently been appointed as President and CEO of Toyota Boshoku Corporation. I feel a great sense of responsibility in serving on the senior management team of the Toyota Boshoku group, with its history spanning more than 100 years. At the same time, I have renewed my determination to firmly take over and implement various challenges and reforms.

In recent years, our group has been accelerating its shift to CSV management based on the Principles of Toyoda, the founding spirit of our founder Sakichi Toyoda. In this process, we are aiming to enhance both social and economic value through our business activities, and to realize corporate growth while fulfilling our responsibility in harmony with society. The Principles of Toyoda have been passed down to all Toyota Group companies and serve as a guideline for the actions of all company members. I myself have also valued and practiced the concepts of “always striving to stay ahead of the times,” “remembering to be grateful at all times,” and “always being practical.” I intend to make the best possible use of my experience and knowledge in order to realize the Toyota Boshoku group’s materiality, which we formulated in 2020, our 2025 Target, our desired status for 2030—creating new value as an Interior Space Creator—as well as our Vision that states, “looking into

the future, we will create tomorrow’s automobile interior spaces that will inspire our customers the world over.”

I joined Toyota Motor Corporation in 1984 and have nearly 40 years of experience, primarily in the purchasing division. Having worked with a large number of business partners, I am proud to say that I have learned from personal experience what it takes to be chosen for being a reliable company. At the same time, I have also experienced that being a reliable company of choice is not a constant, but changes with the times. In other words, there is no guarantee that just because you are chosen now, you will always be chosen in the future.

Moreover, an automobile is a product that can only be manufactured when a vast number of over 30,000 parts and materials are delivered every day, at the required time and in the required quantities. It cannot be manufactured if even a single part is missing. Having experienced numerous natural disasters, the coronavirus pandemic, semiconductor shortages and other challenges, I have learned firsthand how my company’s work is supported by so many people. In recent years, the Toyota Boshoku group has achieved relatively steady growth. However, this is by no means a given. In order to continue to be a reliable company of choice, all of our company members must remain acutely aware that we are supported by a large number of people, and while feeling gratitude for this, we must bring to fruition the results of our efforts to date and realize the 2025 Mid-Term Business Plan. I regard this as the mission I have been assigned.



### Fiscal 2022 financial results and progress with the 2025 Mid-Term Business Plan

#### Achievement of revenue and profit growth amid challenging business conditions

Fiscal 2022 was a year in which the business environment remained challenging as a result of the soaring cost of materials and logistics disruptions against a backdrop of high global crude oil prices. More recently, the effects of the turmoil in global affairs have also begun to emerge. Ultimately, however, we were able to achieve results that exceeded our earnings forecast announced at the time of the third quarter results. Consolidated revenue increased 149.3 billion yen compared with the previous year to 1,421.4 billion yen (up 11.7% from fiscal 2021), due to factors including a post-COVID-19 recovery in demand globally. In terms of profit, consolidated operating profit increased by 3.1 billion yen to 60.2 billion yen (up 5.6%) and net profit attributable to owners of the parent increased by 8.0 billion yen to 39.2 billion yen (up 25.9%), mainly due to the effect of new products, and despite high raw material prices resulting from the pandemic.

Fiscal 2022 was also the first year of our 2025 Mid-Term Business Plan. In this Business Plan, as an

intermediate step toward our desired status for 2030, we have set ourselves the following goal: “As an interior system supplier, become a company that serves as ‘Home’<sup>1</sup> and secures competitiveness that can surpass global suppliers.” Accordingly, we have established four priority actions to achieve this goal. Faced with a challenging business environment, we incorporated each of our priority actions into specific measures and have steadily implemented them, thereby improving our earning power and achieving increases in both revenue and profit. I believe this was a solid start to the first year of our plan.

Key measures implemented in fiscal 2022 (→ see pages 47–64 for details of the priority actions) included enhancing cost planning activities from the planning stage when launching new products, and simulating production processes using digital tools and cardboard lines.<sup>2</sup> This has reduced re-work losses and increased our ability to generate earnings, while also facilitating smooth production launches (→ see page 56). We have also promoted local procurement on a global basis, a shift to multiple sites for the stable supply of parts, and the optimization of production and supply systems through the reorganization of production in Japan and overseas. Meanwhile, we have endeavored to flexibly address fluctuations in production volumes caused by natural disasters and the coronavirus pandemic throughout the supply chain, smoothing production by means of cross-regional, multi-factory parallel production (bridge production) while providing human support using a skills matrix, among other measures (→ see page 55). We are also making steady progress in our efforts to serve as “Home” as an interior system supplier, including the transfer of commercial rights in automotive seat frame mechanism parts from Shiroki Corporation (→ see page 49).

As part of our activities to become an Interior Space Creator, we promoted the second phase of a collaborative project with five Toyota Group companies, and developed and announced the MX221 designed for the new rideshare field (→ see page 39). We also participated in several demonstration tests for the provision of “services for new mobility experiences on the move,” receiving positive feedback from many customers who rode in the test vehicle.



1 "Home" means a business or region that is capable of creating added values on a *Genchi-Genbutsu* (go, see & study) basis and has competitive advantage compared to competitors. In contrast, "Away" refers to businesses or regions in which other companies have more advantages than we do in terms of expertise. This is a strategy of reviewing our operations from a "Home & Away" perspective.  
2 Reproducing production processes in full scale using cardboard

## Promoting sustainability

### Implementing measures for sustainable growth in all aspects of ESG

The Toyota Boshoku group, which places the concept of CSV at the core of its management, is also focused on sustainability initiatives, exemplified by value creation through our business activities, as well as non-financial activities such as promotion of the SDGs and ESG (Environmental, Social, and Governance). In December 2021, we announced our Sustainability Policy, which consists of the "Management Concept," "Materiality," and "The management structure we aim to become."

With regard to our main sustainability initiatives in fiscal 2022, for the Environmental aspect of ESG, we have amended our target to reduce CO<sub>2</sub> emissions by 50% from the 2013 level by 2030 in order to achieve carbon neutrality by 2050. As well as drafting and promoting various related measures, we are working on scenario analysis based on the TCFD recommendations. Going forward, we intend to further deepen our scenario analysis and utilize the results of this analysis in allocation of the necessary resources and also in product development (→ see pages 27 and 28).

For Social, we have focused on accelerating efforts to create a workplace where a diversity of human resources can continue to work together, and on expanding processes that meet diverse needs at our production sites, among other initiatives (→ see page 43). We are also promoting health management, which is an important factor for energizing the organization. This includes improving the vitality and productivity of our company members. In March 2022, we were certified as an Excellent Enterprise of Health and Productivity Management 2022 (White 500) (→ see page 37). Furthermore, with the aim of helping to solve global food problems, we have launched initiatives to produce, process, and sell agricultural,

forestry, and fishery products utilizing biotechnology and other production technologies in collaboration with universities and other companies (→ see page 69).

We are also working to continuously strengthen Governance. Currently, four of our nine directors are independent outside directors. By strengthening the monitoring function, this ensures the transparency and fairness of decision-making by the Board of Directors (→ see page 73). In February of each year, we conduct a Board of Directors effectiveness evaluation based on a questionnaire and interviews with all directors and Audit & Supervisory Board members, and we are promoting continuous improvements based on this assessment (→ see page 76). In fiscal 2022, based on the effectiveness evaluation of the previous fiscal year, we increased the number of proposals to be brought before the Board of Directors, including themes related to overall corporate strategy, such as DX strategy and themes related to sustainability, such as human rights and health management. This has also led to the formulation of the aforementioned Sustainability Policy, the Human Rights Policy, and the Business Portfolio Policy, which were similarly announced at the end of 2021, as well as the acquisition of DX certified company status in May 2022 (→ see page 85).

## Medium- to long-term outlook

### Successfully navigating a once-in-a-century transformational period

The automotive industry is poised to undergo a major transformation, said to occur only once in a century, and recent drastic changes in the external environment have further increased the complexity of the industry, making it difficult to anticipate the future. As various new developments gather momentum, including CASE, MaaS, and the shift to smart cities, cross-sector competition and collaboration are predicted to accelerate in the future. Furthermore, as mobility evolves, users' values are shifting from enjoyment of driving to enjoyment of mobility space and time, and growing expectations for the interior space represent an opportunity for our group as we aim to be an Interior

Space Creator. We hope to co-create new value with a wide variety of people.

What is needed to navigate this period of great change and continue to be “a reliable company of choice”? In short, I believe it comes down to ensuring our competitive advantage in every sense of the word. Looking back on my time at Toyota Motor Corporation, a reliable company was one that constantly looked outward to see where it stood while improving its competitiveness. The first step is to thoroughly improve the competitive advantage of our own products and hone our ability to be entrusted with more fields, components, development, and so on. Sakichi Toyoda himself said, “Open the door. It’s a big world outside!” To navigate a major transformational period such as we are now facing, I believe it will become increasingly important to strengthen our competitive advantage by leveraging collaboration and co-creation with a variety of external entities, such as different sectors and specialist organizations, universities and local governments; in other words, by exercising open innovation.

Looking back, Toyota Boshoku has made a major shift in its operations from the textile business at the time of our founding to the automotive components business, and we have also been steadily evolving to become a global system supplier. This evolution has surely been achieved not only through the company’s own internal efforts, but also with the support of various external entities, including Toyota Group companies. In this sense, one might say that our company’s 100 year history has been a series of open innovations. While continuing to hand down this corporate culture, it is my hope that we will always look outward in order to fully understand our own position, and continue to refine our competitive advantage.

### Outlook for fiscal 2023

Truly aiming to be a company  
that can surpass global suppliers

While demand is expected to recover globally in fiscal 2023, the outlook is set to remain uncertain due to the

risk of production cutbacks resulting from component shortages and concerns about soaring raw material and transportation costs. However, we will continue to systematically implement effective measures in each field based on the priority actions defined in our 2025 Mid-Term Business Plan.

For example, in terms of sales, we have positioned automakers that are partners of Toyota Motor Corporation as strategic OEMs, and are aggressively promoting activities to win orders. We have already gained new orders for seat business in the Indonesia and India markets, and will use this as a springboard to expand new orders in other regions (→ see page 51). In terms of products, responding to the electrification of automobiles, we will expand our existing motor core business and, through leveraging the technologies we have cultivated in our single-product operations, we will start developing new products that contribute to next generation mobility, such as assembly and system products (→ see page 52).

For fiscal 2023, we forecast consolidated revenue of 1,570.0 billion yen (up 10.5% from fiscal 2022), operating profit of 61.0 billion yen (up 1.2%), and net income attributable to owners of the parent of 40.0 billion yen (up 1.9%).

I actually have a strong personal attachment to the 2025 Mid-Term Business Plan that we are now promoting. A significant reason for this is the phrase, “a company that can surpass global suppliers,” which is 2025 Target. In 2004, when the present Toyota Boshoku Corporation was born, the vision of the future that the three former companies had collectively created was indeed to be a company that could surpass global suppliers. At the time, I was responsible for purchasing at Toyota Motor Corporation and saw this happen. Now, 18 years on, I feel quite emotional to think that we have enhanced our capabilities to the point where we can now champion these words—which seemed like a distant dream at the time—as a realistic goal. Inheriting the ambitions of my predecessors, I am truly happy to be spearheading our drive to become a company that can surpass global suppliers, and I feel strongly committed to accomplishing this task.

## Message to stakeholders

### Always remembering to be grateful and humble

Having a strong competitive advantage is the most important condition for being a company of choice, but as I mentioned earlier, the nature of that competitive advantage continues to change with the times. Sustainability has become a global theme, and there is now a strong expectation that private sector companies should also help to solve social issues. Simply meeting the required level in areas such as price, performance, quality, and delivery is not enough to secure competitive advantage. I believe that being supported and trusted by a diverse range of stakeholders, including not only our customers, shareholders, and investors, but also our company members, business partners, local communities, and even the global environment, is an essential condition for maintaining and bolstering our current corporate competitive advantage.

For this reason, the qualities I value are gratitude and humility. We should feel sincere gratitude that our work is supported by so many people, and convey that feeling to others from the bottom of our hearts in a natural way, without any pretense. That means always regarding yourself with an attitude of humility, and having the flexibility to alter yourself in accordance with the changing times and environment. I think this is extremely important in continuing to be a reliable company of choice.

It is my wish for people to say that they “like” us, rather than simply that we are a good company. I believe that we will be able to truly become a company with a strong competitive advantage if our customers, shareholders, company members, partners, suppliers, local communities, and various other internal and external stakeholders feel an affinity with us, and are able to say, “I like Toyota Boshoku.” To this end, I would like us to create a situation in which each and every one of our company members has a sense that his or her work contributes to society, where everyone takes pride in the company. I want them to feel that the results of their work will lead to good products, good workplaces, and good human resources, and that various people in society will say, “I’m glad that Toyota Boshoku exists.



I can't do without them!" In seeking to realize this goal, I believe that it is my important duty as President to create an open workplace culture that allows people to work vibrantly and enthusiastically.

We, the Toyota Boshoku group, will continue to pinpoint shifts in the business environment while maintaining a sincere dialogue with our stakeholders, and are committed to both growing our company and contributing to the sustainable growth of society. I very much hope to gain your continued understanding and support.

## Masayoshi Shirayanagi

President  
CEO



Shunichi Iwamori  
Director, Operating Officer  
Chief Financial Officer



### Mission of the CFO

#### Providing solid financial support for the group's sustainable growth

I was appointed Chief Financial Officer (CFO) on April 1, 2022. I originally joined the company during a transitional period when we were converting from the textile business to the automobile components businesses, and since then I have experienced working in the accounting and purchasing divisions in Japan. In Vietnam, I oversaw the launch of a new production site, while in the United States, as a finance officer in the Americas Regional Management & Collaboration Hub, I was involved in finance and profit management for production sites, including those in Central and South America. In particular, during my tenure in the US, I experienced firsthand the difficulty of raising funds for sustaining and rebuilding operations in the very challenging business environment immediately after the collapse of Lehman Brothers and the ensuing Global Financial Crisis.

In light of these experiences, as CFO I recognize the importance of supporting the sustainable growth of a company through the development and implementation of appropriate financial strategies and funding plans, while maintaining financial and investment discipline.

The group is now on the way to achieving our goals through the accomplishment of our new mid-term business plan, which we launched in fiscal 2022. Namely, in 2025, “As an interior system supplier, become a company that serves as ‘Home’1”, and in 2030, to “create new value as an Interior Space Creator.” In order to financially support our progress toward achieving these major goals against a backdrop of growing uncertainty in the world, it is important not only to secure the cash flow essential for management and maintain a stable financial base, but also to steadfastly execute strategic investments in a variety of fields for the future.

At the same time, it is an important role of the CFO to meet the expectations of our stakeholders, and provide them with both pertinent, comprehensive information and positive results in an appropriate manner.



We will work to achieve the goals of our mid-term business plan by strengthening our ability to generate cash flow and optimizing the allocation of funds, while responding flexibly to changes in the external environment

<sup>1</sup> "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.

### Review of FY2022

#### Achievement of revenue and profit growth amid challenging business conditions

In fiscal 2022, the first year of the 2025 Mid-Term Business Plan, we worked hard to implement this plan after setting ourselves record-high performance targets in order to set off at a strong pace and realize our "2025 Target" and "desired status for 2030."

As a result, revenue increased to 1,421.4 billion yen (up 11.7% from the fiscal 2021), beating our initial fiscal year target of 1,400.0 billion yen, due to a recovery of demand from fiscal 2021, which had seen a significant impact from the coronavirus pandemic. Meanwhile, operating profit was 60.2 billion yen (up 5.6%), which although higher than the previous fiscal year, fell short of our initial target of 72.0 billion yen. The main reasons for the shortfall versus our initial target were changes in the external environment, including a decline in production volumes caused by shortages of components such as semiconductors due to the effects of COVID-19 and other factors, as well as soaring raw material and logistics costs.

Although there was a partial shortfall in our numerical targets, I believe fiscal 2022 was a year in which we made

diverse progress in qualitative areas. For example, in the past, Japanese personnel used to visit production sites outside Japan to provide on-site guidance for production preparations during product changeovers. However, this became impossible due to travel restrictions imposed during the coronavirus pandemic, and so local company members came up with their own ideas to advance production preparations. In the wake of the pandemic, we have seen members taking this kind of independent action on their own initiative in various places, not just in the manufacturing divisions. Such improvements in local, on-site capabilities and practical skills, which cannot be expressed in numbers, will surely serve to forge the future of our group.

### Outlook for FY2023

#### Aiming for further earnings growth through concerted company-wide efforts

We previously announced targets of 1,570 billion yen in revenue and 78 billion yen in operating profit for fiscal 2023. However, despite experiencing healthy demand, in the first quarter of the fiscal year we revised this target down to 61 billion yen in operating profit for fiscal year 2023. This was due to several factors, such as a reduction in production numbers, as well as increases in the price of both raw materials and transportation-problems themselves resulting from component supply issues and a rebound in the number of COVID-19 infections.

Finding ourselves in a business environment of increasing uncertainty, we will continue aggressively “investing for future growth” via such means as investments in human resources. Furthermore, we will bring together the entire company to work as one towards the goal of strengthening our competitiveness.

In terms of strengthening our financial base, we will increase operating cash flow to fund new investments in the future. We have also secured additional lines of credit, which will allow us to diversify our financing options.

Envisaging future investment and assuming current risks, we will strengthen our ability to generate cash flow and promote optimal allocation of funds.

### Risk management

#### Addressing diverse risks from both financial and non-financial perspectives

We are working to manage risks associated with business promotion from both financial and non-financial perspectives. To counter the risk of revenue fluctuations, we aim to realize more resilient business operations by reducing variable and fixed costs, thereby lowering the break-even point (BEP). Using assessment criteria including “operating profit ratio of 6% or higher” for business profitability and “average of the past five years” for BEP,

we make strategic use of management resources while carefully examining the characteristics of each business.

In recent years, the management of non-financial risks such as environmental and social risks has also become important. Of particular importance now is the response to environmental risks. In April 2020, we declared our support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), and explicitly stated that we would incorporate climate change into our management strategy. We are currently in the process of analyzing climate change risks through various internal discussions, and are also considering the optimization of future environmental investments through Internal Carbon Pricing (ICP).<sup>2</sup>

<sup>2</sup> Internal Carbon Pricing: Putting a price on the amount of carbon dioxide emitted by a company in the course of its business

### Medium- to long-term investment strategy

#### Promoting aggressive strategic investments based on sound finances

Aiming to “create new value as an Interior Space Creator” in 2030, we will continuously and systematically execute strategic investments in each field in fiscal 2024 and beyond. In our core business of manufacturing, I believe that the key to achieving our mid-term business plan is to invest aggressively in expanding our lineup of TNGA<sup>3</sup> products

	2025 Mid-term Business Plan target	FY2022 results	FY2023 full-fiscal year forecasts
<b>Revenue</b> (100 million yen)	16,000+ $\alpha$	14,214	15,700
<b>Operating profit</b> (100 million yen)	1,000+ $\alpha$	602	610
<b>Operating profit ratio</b>	6–7%	4.2%	3.9%
<b>ROE</b>	10% or higher	10.9%	9.8%
<b>Equity ratio</b>	Around 40%	40.0%	40.0%
<b>Net asset</b> (100 million yen)	4,000	4,238	4,500
<b>Dividend payout ratio</b>	Around 30%	30.5%	32.7%
<b>Capital investments</b> (100 million yen)	2,500+ $\alpha$ (FY2022–2026 total)	383	660
<b>R&amp;D expenses</b> (100 million yen)	2,000+ $\alpha$ (FY2022–2026 total)	448	450

\* Announced on July 29, 2022

promoted by Toyota Motor Corporation, our largest customer, and to aim for yet further growth in the businesses transferred from Aisin Corporation and Shiroki Corporation.

We will also make environment-related investments more aggressively than ever before. With the goal of “reducing CO<sub>2</sub> emissions by 50% by 2030,” we are promoting measures including the centralization of activities to reduce energy costs and usage, and the all-round development of renewable energy procurement. Going forward, we will systematically allocate budget and provide firm support in research areas that may not show immediate results, such as the development of recycling technologies and materials that will contribute to the realization of a circular economy.

In terms of investing in the human resources who will be the future of the company, we will develop systems and mechanisms to nurture innovative human resources who will be responsible for creating new value and exploring new business fields, and strengthen investment in securing and enhancing the development of digital human resources who will be indispensable for winning in the competitive environment of the future. To create innovation, it is our policy to also invest in startup companies using the framework of corporate venture capital, etc. In May 2022 we invested in one company, and we will continue looking for further potential investment targets (→ see page 69).

We anticipate that the scale of these strategic investments will be in the order of 250 billion yen for capital investment and 200 billion yen for R&D over the five-year period from fiscal 2022 to fiscal 2026, but we will make investment decisions that contribute to overall optimization while evaluating the appropriateness and monetary amount of each individual project.

While a robust financial foundation is a prerequisite for strategic investments, our current equity ratio is around 40%, which we believe represents an appropriate balance between soundness and leverage.

<sup>3</sup> Toyota New Global Architecture: An initiative of Toyota Motor Corporation directed toward structural reform of automobile manufacturing with the aim of greatly improving basic performance of vehicles and product appeal.

### Message to stakeholders

#### Gaining new “fans” of Toyota Boshoku group through dialogue

The Toyota Boshoku group aims to increase shareholder value by actively investing profits generated through its



business activities in growth areas and maximizing net earnings per share. We pay dividends to shareholders based on the principle of maintaining stable dividends, taking into consideration factors including consolidated earnings and the dividend payout ratio. For fiscal 2022, we have increased the annual dividend by 19 yen from the previous year to 64 yen per share (a dividend payout ratio of 30.5%). We hope to meet the expectations of all our shareholders by paying dividends even more stably and continuously in the future.

I recognize that an important role of the CFO is also to maintain fair and open communication with all stakeholders, including our shareholders and investors. In addition to the general briefings we have held in the past, we will further focus on opportunities for in-depth “dialogue,” such as through conferences for overseas investors, briefings for individual investors, and small meetings. Starting in fiscal 2023, we also plan to hold new ESG briefings. Through such opportunities for dialogue, we will listen sincerely to the voices of our various stakeholders, and at the same time, we will actively communicate information about what we at Toyota Boshoku group are aiming for, and what we are doing to achieve sustainable growth. My hope is that by doing so, you will feel an affinity with us and become a “fan” of Toyota Boshoku.

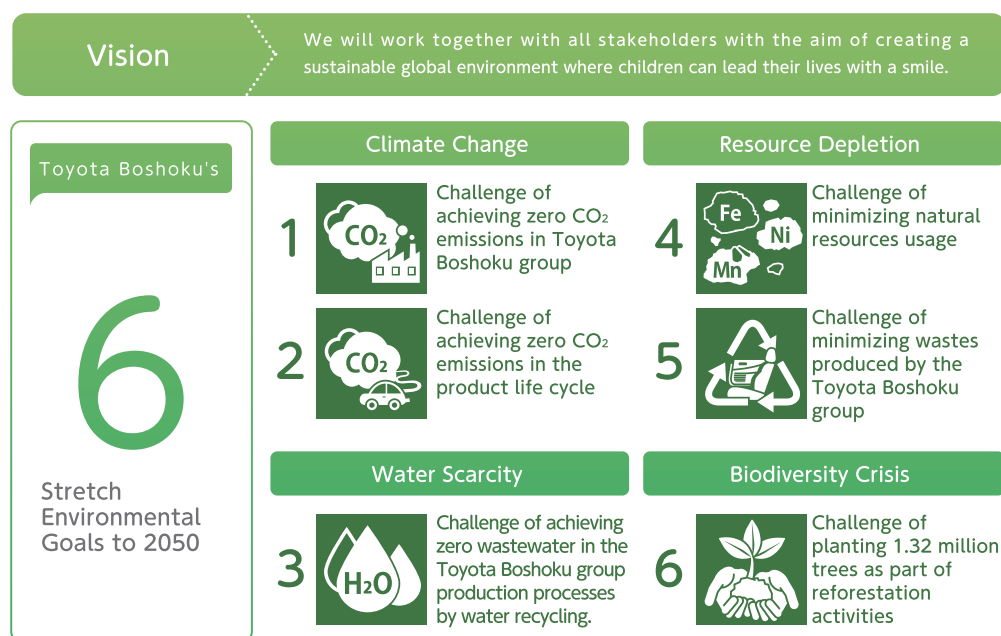
We will continue to strive for fair and open communication with a wide range of stakeholders, and I very much hope to gain your continued understanding and support of the Toyota Boshoku group.

**Shunichi Iwamori**

Director, Operating Officer  
CFO

## Addressing climate change through environmental technology-driven business development to achieve a sustainable society

In 2016, the Toyota Boshoku group formulated the 2050 Environmental Vision and has been working to solve environmental issues in six categories. However, global environmental issues such as climate change, water scarcity, natural resource depletion, and the biodiversity crisis, have become increasingly widespread and more serious than when the Environmental Vision was drawn up. Given this situation, in 2021 we raised our 2030 CO<sub>2</sub> reduction target from 38% to 50% (compared to fiscal 2014), and we are accelerating initiatives globally to achieve carbon neutrality throughout the group's supply chain and value chain, from development through to production. In order to realize the materiality item defined as, "Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress," we are advancing activities to "Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives" as a Priority Action in the 2025 Mid-Term Business Plan.



### Organizational structure

In January 2022, we launched the Carbon Neutral Environment Center, which covers the entire process from strategy formulation to follow-up on implementation, aimed at ensuring the achievement of our 2050 Environmental Vision.

This organization, which reports directly to the President, is the foundation on which our all-round environmental strategy is built, including addressing decarbonization as well as biodiversity (Taskforce on Nature-related Financial Disclosures [TNFD]). In addition, the Carbon Neutral Environment Promotion Meeting, chaired by the Carbon Neutral Environment Center Chief, discusses and follows up on the 2025 Environmental Action Plan, including climate change risk scenario analysis.

### Challenge of achieving zero CO<sub>2</sub> emissions

To reduce CO<sub>2</sub> emissions, we are promoting three measures globally: daily improvement energy-saving activities, planning and implementation of innovative technologies, and use of

renewable energy. Especially in the use of renewable energy, we are actively deploying this globally, with the exception of certain regions. During fiscal 2023, we expect to be able to convert 100% of the electricity used at all of our sites in Europe to renewable energy. In addition, we will further promote environmental measures and optimize investment through the introduction of ICP.<sup>1</sup> The decision to introduce this system was based on factors including the need to take investment decisions quickly using the reduction in CO<sub>2</sub> emissions as the cost-effectiveness criterion for investment; optimization of the timing of investment; and the ability to demonstrate the company's stance on achieving carbon neutrality quantitatively, both internally and externally.

For details of our other initiatives and efforts to reduce CO<sub>2</sub> emissions throughout the life cycle, please refer to the Priority Actions page (→ see pages 58, 60).

<sup>1</sup> Internal Carbon Pricing: Putting a price on the amount of carbon dioxide emitted by a company in the course of its business

## Roadmap to value creation and management techniques

**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 will confirm the direction of our company's initiatives and reflect them in our future management strategy.

We have identified short-term, medium-term, and long-term risks and opportunities based on the 1.5 to 2°C scenario<sup>2</sup> developed by the International Energy Agency (IEA), in which

the impact of transition risks surfaces, and the 4°C scenario<sup>3</sup> developed by the Intergovernmental Panel on Climate Change (IPCC), in which the impact of physical risks surfaces. The table below lists the risks and opportunities that are assessed as particularly high.

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
<b>Transition risks and opportunities (1.5 to 2°C)</b>	Enhancement of climate change policies, including carbon pricing	● Increase in procurement costs by introducing carbon prices, etc.	Risk ➔	● Survey of suppliers (CO <sub>2</sub> emissions, efforts to reduce CO <sub>2</sub> emissions, etc.) and promotion of activities for setting CO <sub>2</sub> 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 <sub>2</sub> emissions associated with transportation through the promotion of local production for local consumption)
		● Increase in cost due to investment in energy saving and renewable energy for decarbonization	Risk ➔	● Optimization of investment by introducing ICP
	Enhancement of efforts to promote automobile electrification	● Expansion of business in new fields through collaboration between Toyota group companies	Opportunity ➔	● Expansion of business fields and offering of multi-dimensional value
		● Increase in demand for electrified products	Opportunity ➔	● Further planning and development of electrified products
	Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.)	● Decrease in sales due to lower demand for products with insufficient low-carbon technology	Risk ➔	● Planning and development of products to further reduce carbon emissions ● Planning and development of plant-derived products and lightweight products ● Improvement of recyclability and promotion of simple disassembly design
● 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		Opportunity ➔		
<b>Physical risks and opportunities (4°C)</b>	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)

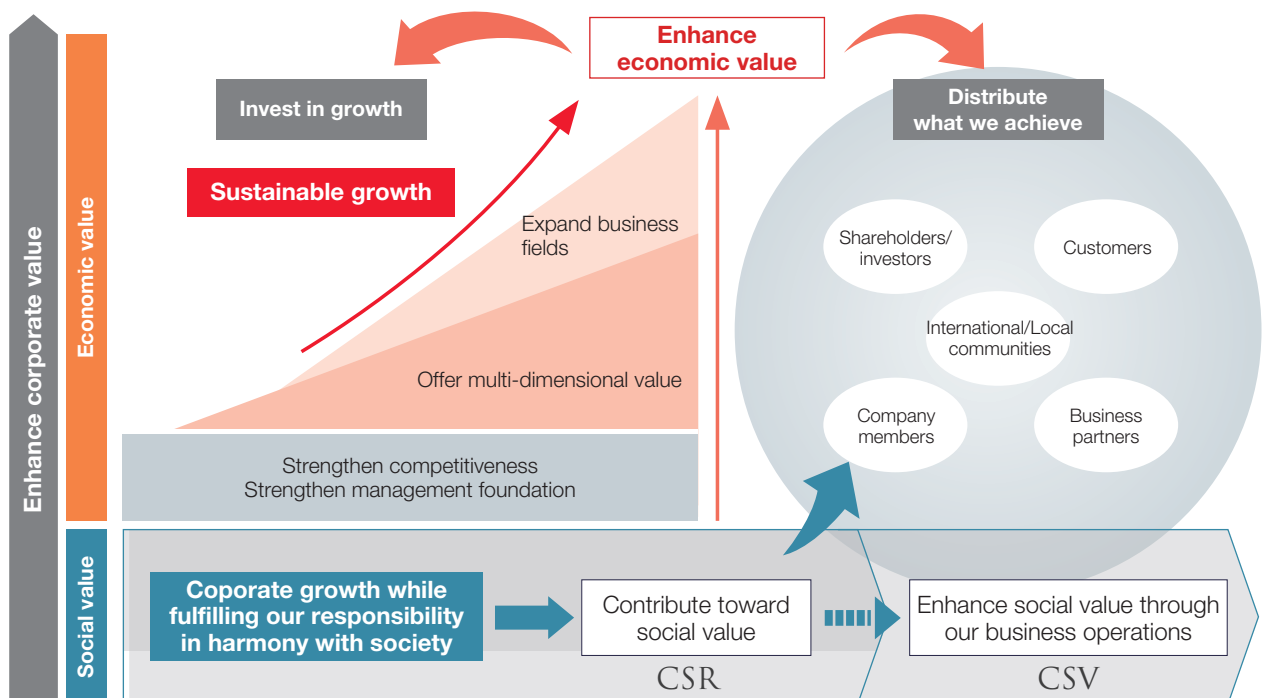
2 1.5°C scenario: NZE (IEA World Energy Outlook 2021); 2°C scenario: SDS (IEA World Energy Outlook 2021)  
3 4°C scenario: RCP 8.5 (IPCC 5th Assessment Report)



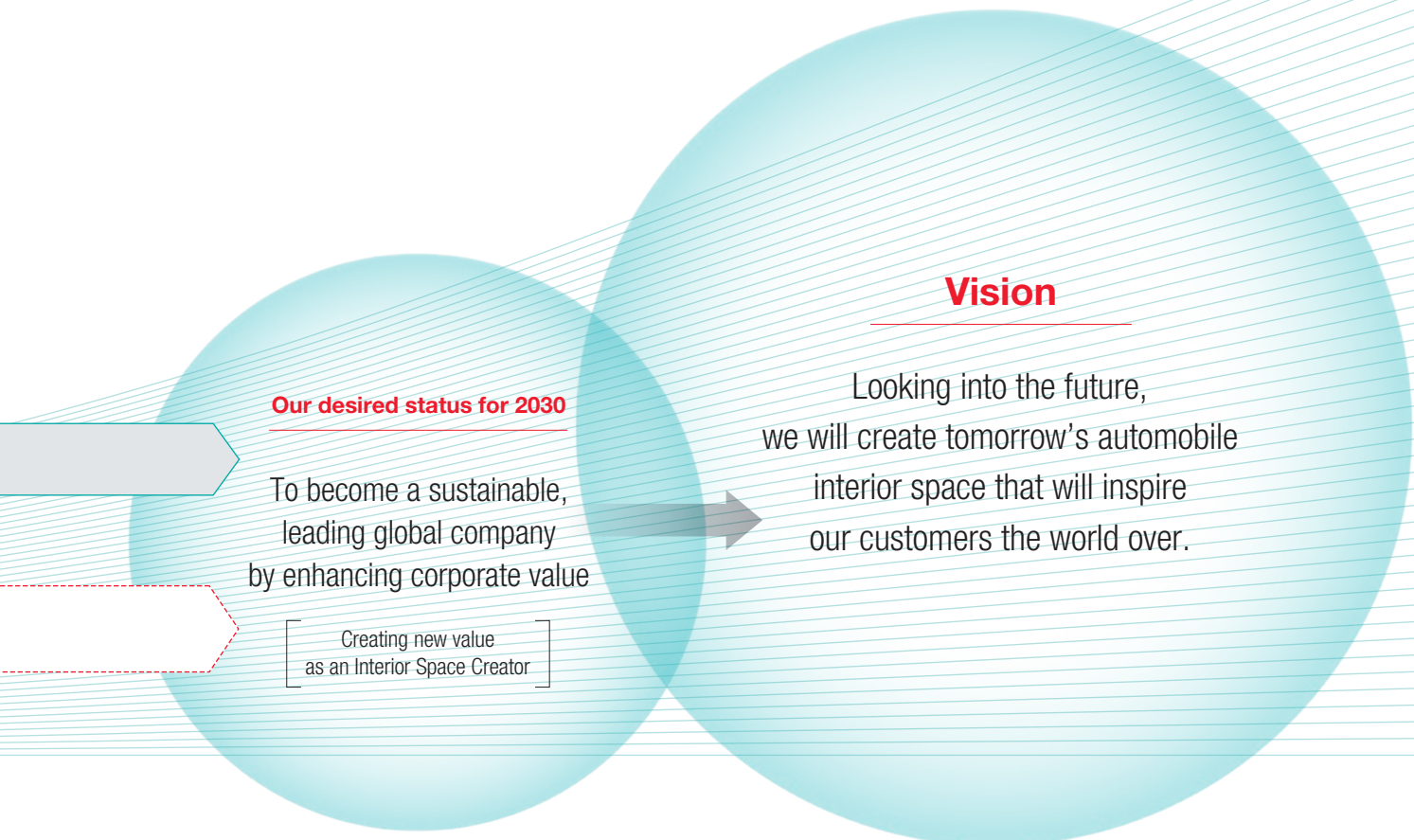
# Achieving sustainable growth in terms of both social and economic value



## The management structure we aim to become



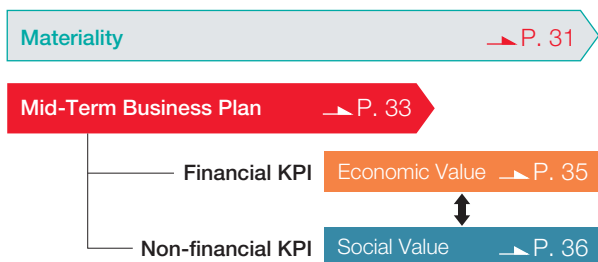
Roadmap to value creation and management techniques



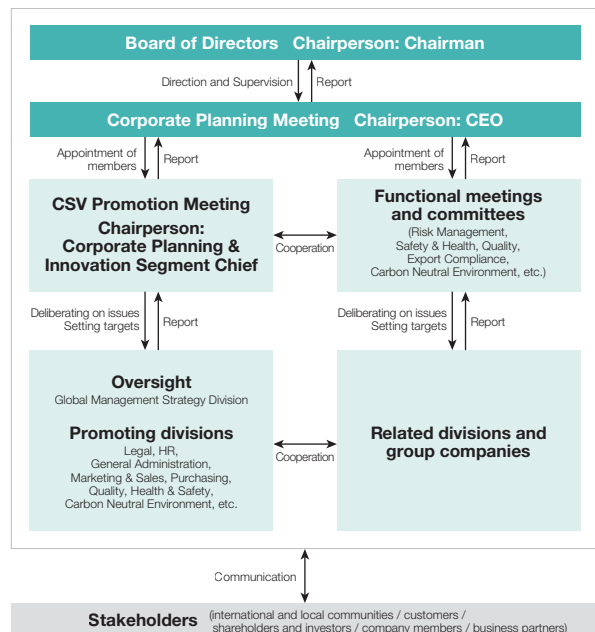
2031 (FY)

### Monitoring of corporate value enhancement at the Board of Directors and CSV Promotion Meeting, etc.

In order for the Toyota Boshoku group to achieve its Vision and enhance corporate value, we believe it is essential to increase economic and social value through our business activities. The goals for economic value and social value in the 2025 Mid-Term Business Plan have been incorporated into financial and non-financial KPIs, respectively, and we monitor their achievement. Economic value is monitored through the monthly Corporate Management Meeting and Board of Directors, while social value is monitored through the CSV Promotion Meeting held twice a year, as well as through reporting made twice a year, at Board of Directors meetings. In this way, discussions are held concerning KPI-based monitoring and countermeasures for issues.



### Monitoring of social value






## Aiming to realize materiality through achievement of the ESG KPIs

### Materiality



### The meaning and concepts of materiality

### Related SDGs

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

<p>1</p> <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>	
<p>2</p> <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&amp;D that is part of Toyota Boshoku's identity.</p>	
<p>3</p> <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 CO<sub>2</sub> 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

<p>4</p> <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>	
<p>5</p> <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>	

Roadmap to value creation and management techniques

**Positioning of materiality and formulation process**

With the goal of realizing a transformation to CSV management, we have formulated the Toyota Boshoku group’s materiality as part of the process of drafting the 2025 Mid-Term Business Plan. We defined 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 (→ see page 87).

**ESG KPIs to manage materiality progress**

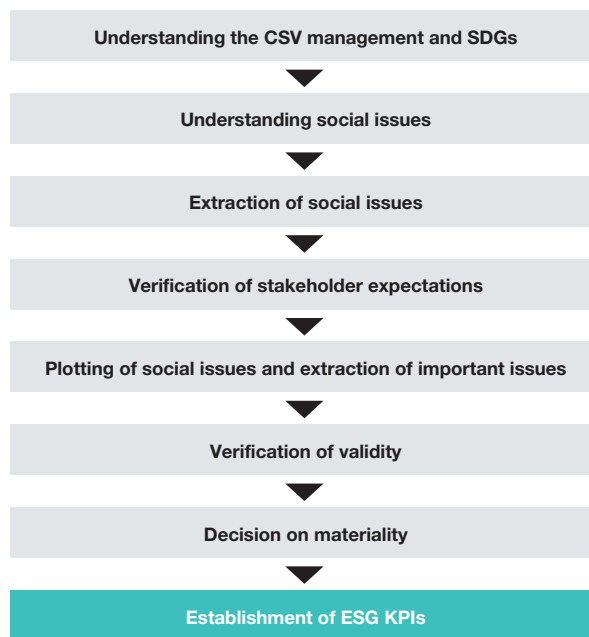
In addition to the financial KPIs established in the 2025 Mid-Term Business Plan, which measure economic value, in December 2021 we established ESG KPIs—to measure social value (→ see page 34-36).

**Materiality penetration initiatives**

The Toyota Boshoku group is implementing a variety of measures at our sites globally to ensure that materiality is widely practiced.

The level of penetration of materiality globally in fiscal 2022 (awareness of the connection between materiality and one’s own work) was 73.2%. We will continue to focus on further penetration.

**Materiality formulation process (→ see page 87)**



**Materiality penetration initiatives in each region (FY2021–FY2022 results, FY2023 plan [partially including results])**

Country/Region	Initiatives
Japan	<ul style="list-style-type: none"> <li>● Monthly delivery of messages and quizzes concerning sustainability, including materiality, on the PC startup screen</li> <li>● Conducting lectures on sustainability, including materiality, in new company member training and position-based training</li> <li>● Implementing surveys to measure penetration of materiality</li> <li>● Displaying information on materiality, etc. in the interior of commuter buses, for accessing detailed information from inside the bus</li> </ul>
The Americas	<ul style="list-style-type: none"> <li>● Sharing Toyota Boshoku management messages via email</li> <li>● Conducting information briefings and viewing materiality videos at each site</li> <li>● Implementing surveys to measure penetration of materiality</li> <li>● Creating educational tools</li> </ul>
China	<ul style="list-style-type: none"> <li>● Translation of materiality video into Chinese and internal dissemination</li> <li>● Proactive communication of materiality through PR activities such as motor shows</li> <li>● Feedback to company members concerning external evaluations obtained through PR activities</li> </ul>
Asia & Oceania	<ul style="list-style-type: none"> <li>● Explaining materiality to local company members at regional CSR meetings</li> <li>● Viewing materiality videos at new company member orientations</li> <li>● Displaying materiality on PC screen-savers</li> <li>● Relating materiality to regional hoshin (policy)</li> </ul>
Europe & Africa	<ul style="list-style-type: none"> <li>● Developing and implementing sustainability policies and ESG KPIs for Europe &amp; Africa</li> <li>● Designating every May as “Materiality Month,” interactive seminars are held with the participation of all regional entities to provide opportunities to think about materiality</li> </ul> <p>FY2022: Deepen understanding of the positioning of materiality            FY2023: Promote awareness and behavioral reform in relation to sustainability, CSV, corporate value enhancement, and the ESG KPIs</p>

## Steadily implementing plan to achieve 2025 targets

In the 2025 Mid-Term Business Plan, our target is “As an interior system supplier, become a company that serves as “Home”\* and secures competitiveness that can surpass global suppliers.” We have formulated a Corporate Value Enhancement Scenario for 2025 and 2030 and business strategies, and have drawn up Priority Actions to achieve them.

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

### 2025 Target

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

### Corporate Value Enhancement Scenario

2025	2030
<p>Expand sales and improve profit margins through leading global proposal capabilities</p> <p>(1) Strengthen corporate structure (with the break-even point reduced to below 70%) by reinforcing existing core businesses, and reallocate resources to growth fields</p> <p>(2) Differentiate our products based on thorough competitor benchmarking, expand sales to strategic OEMs other than Toyota</p> <p>(3) Improve work quality through efforts to win the Deming Prize</p> <p>(4) Consolidate the ability to solve social issues through innovation</p>	<p>Responding to the advancement of CASE, we aim to become a company that is needed by the world, by providing solutions for automobile interior spaces</p> <p>(1) Maintain earnings from existing core businesses</p> <p>(2) Acquire expertise and capabilities necessary to become an Interior Space Creator, and seek efficient ways to introduce technologies, including alliances</p> <p>(3) Establish a mobility space solution business model and make achievements</p> <p>(4) Implement work reform (digital transformation (DX)) based on thorough systemization to ensure resources</p>

### Priority Actions

<b>1</b>	Pursue safety, environment and comfort, and increase customers, thereby evolving into a trusted supplier capable of offering optimal proposals to customers <span style="float: right;">→ P. 47</span>
<b>2</b>	Thoroughly improve productivity and implement business strategies, while enhancing cooperation among Product business segments and Regions <span style="float: right;">→ P. 53</span>
<b>3</b>	Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives <span style="float: right;">→ P. 57</span>
<b>4</b>	Establish a resilient global management foundation and develop human resources to support sustainable growth <span style="float: right;">→ P. 61</span>

### Business Strategies

<b>Existing businesses</b>	
(1) Reinforce core businesses and expand sales to new customers	
(2) Raise earning power and promote investments in new growth fields	
<b>Seats</b>	→ P. 66
<b>Interior &amp; Exterior</b>	→ P. 67
<b>Unit Components</b>	→ P. 68
<b>New businesses</b>	
(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	

#### Priority Actions by business and region

##### ↗: Priority Action 1

<Sales expansion>

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

##### ◎: Priority Action 2 3

<Reform of earnings structure>

- Reorganize plants in Japan and The Americas
- Completely local procurement in China, Asia & Oceania, Europe & Africa

	Japan	The Americas	China, Asia & Oceania	Europe & Africa	Revenue	(100 million yen)
<b>Seats</b>	◎	◎	↗	↗	11,200	
<b>Interior &amp; Exterior</b>	↗	◎	◎	◎	3,200	
<b>Unit Components</b>	↗	◎	↗	◎	1,600	
<b>Revenue</b>	8,300	2,900	4,000	1,500	16,000	Intracompany eliminations (700)



Roadmap to value creation and management techniques

**Business management structure**

In order to realize the management structure we aim to achieve (→ see page 29), 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 management monitoring as a result of this system, we measure the degree of achievement of our mid-term business plan and implement the PDCA cycle, as necessary, to get back on track.

	KPI Type	Main Items		Internal Meeting
Economic Value KPI	Financial KPIs	Revenue, operating profit, ROE, total equity, etc.	PDCA 	Corporate Management Meeting
	Operational KPIs	Project profit achievement ratio, total work productivity ratio, fixed costs, etc.		
Social Value KPI	Non-Financial KPIs	Competitiveness KPIs Number of field actions, delivery defects, etc.	PDCA 	CSV Promotion Meeting
	ESG KPIs	CO <sub>2</sub> emissions, number of serious accidents, degree of implementation of the Code of Conduct, etc.		

**Targets related to economic value**

Future-oriented business portfolio strategy

We will increase revenue and productivity, and maximize cash flow, by expanding our business fields through higher sales of existing core products and acquisition of new OEMs. Our financial targets for fiscal 2026 are revenue of at least 1,600 billion yen, operating profit of at least 100 billion yen, profit margin of 6–7%, and ROE of 10% or higher.

With regard to returns to shareholders, we aim to steadily increase profits based on the approach of long-term dividend stability, and to increase the dividend per share, with a target payout ratio of around 30%.

In terms of managing business risk, we have introduced a business evaluation metric that takes into account the cost of capital (Internal Rate of Return [IRR], factoring in the cost of capital by country) to objectively monitor business feasibility and link the results of this to discussions on action plan formulation and examination of business continuity.

As FY2026 management target, we are promoting the strategic allocation of management resources so as to achieve a sales composition ratio comprising the core business at 95% and new business at 5% by 2030, compared with an existing sales composition ratio comprising the core seat business at 70%, interior & exterior business at 20%, and unit components business at 10%.

Accelerating strategic growth investments

To further accelerate the pace of growth, we will strategically and aggressively implement alliance investments, capital investments, and R&D. Capital investment is projected to be at least 250 billion yen over the period to fiscal 2026, and R&D expenses are projected to be at least 200 billion yen over the same period.

In April 2021, we established the Business Incubation Department, which promotes collaboration with startup companies so as to foster open innovation utilizing internal and external technologies and knowledge. We will accelerate our initiatives, having set a total investment limit of 5 billion yen over the five-year period until the end of fiscal 2026 (→ see page 69).

**Targets related to social value**

We measure social value through the ESG KPIs, which we established in December 2021. Based on the ESG KPIs, we will meet the expectations of our stakeholders by realizing our materiality and enhancing our corporate value.

The ESG KPIs are followed up at the CSV Promotion Meeting (Chairperson: Corporate Planning & Innovation Segment Chief), which is held twice a year.

<Approach to formulation of ESG KPIs>

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

→ See page 36 for ESG KPI targets and results.

# Financial

The Toyota Boshoku group has set financial targets for fiscal 2026 in its 2025 Mid-Term Business Plan. Progress is reviewed twice a year in order to manage progress against targets.

KPIs	FY2021 results	FY2022 results	FY2023 full-fiscal year forecasts	FY2026 targets
<b>Revenue</b> (100 million yen)	12,721	14,214	15,700	16,000+ $\alpha$
<b>Operating profit</b> (100 million yen)	571	602	610	1,000+ $\alpha$
<b>Operating profit ratio</b>	4.5%	4.2%	3.9%	6–7%
<b>ROE</b>	10.0%	10.9%	9.8%	10% or higher
<b>Equity ratio</b>	39.6%	40.0%	40.0%	Around 40%
<b>Net asset</b> (100 million yen)	3,696	4,238	4,500	4,000
<b>Dividend payout ratio</b>	27.0%	30.5%	32.7%	Around 30%
<b>Capital investments</b> (100 million yen)	467	383	660	2,500+ $\alpha$ (FY2022–2026 total)
<b>R&amp;D expenses</b> (100 million yen)	418	448	450	2,000+ $\alpha$ (FY2022–2026 total)

### Accelerating decision-making by strengthening monitoring of financial and non-financial KPIs

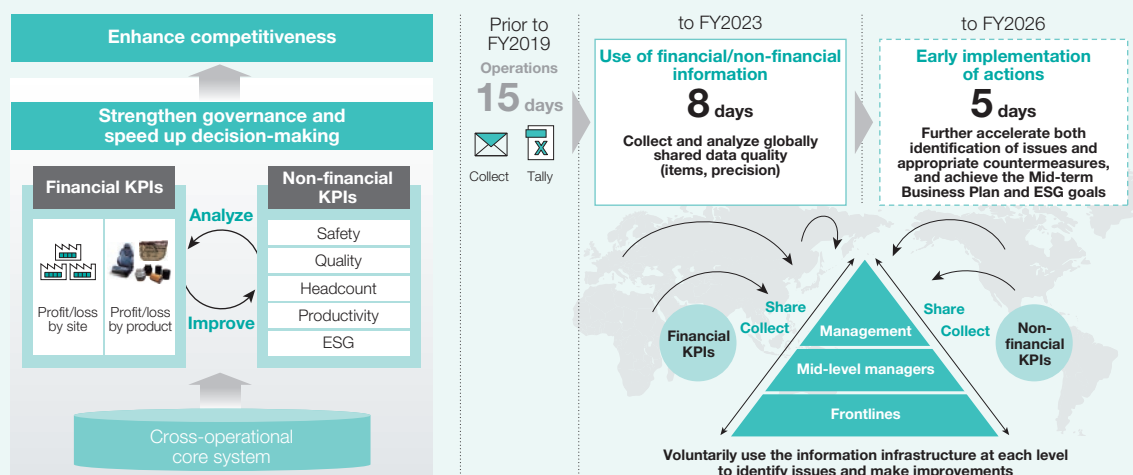
We aim to promote standardization and evolve our current system (management information infrastructure) so that management decisions in relation to our financial and non-financial KPIs (ESG KPIs) targets for 2025 and 2030 can be made based on quantitative data, thereby further enhancing management control.

In fiscal 2022, we promoted the integration of information for each plan within our mid-term business plan, including sales, headcount, and revenue plans. The centralization of data has enabled more efficient formulation of mid-term plans

and increasingly detailed data. We also reviewed the process of collecting non-financial information such as safety, quality, headcount, productivity, and ESG, and promoted centralized management using a management information infrastructure.

In fiscal 2023, we will work to build a system that allows capital investment and development costs in the mid-term business plan to be monitored in conjunction with sales and revenue plans. At the same time, we will promote visualization of information output from the system and shorten the lead time for visualization so that all levels of the organization can utilize management information spontaneously, quickly identify issues, and make improvements.

### Aim of management information infrastructure construction



## Non-financial (ESG KPIs)

The group's non-financial KPIs are organized from an ESG perspective and measure progress on materiality.

Indicators are selected based on what is required by the Corporate Governance Code, external surveys, and the demands of society, etc.

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

ESG	KPI evaluation items	Scope	Responsible person	Materiality	FY2022 results	Target	
						FY2026	FY2031
Environment	Production CO <sub>2</sub> emissions reduction ratio (compared to FY2014)	Toyota Boshoku group	Carbon Neutral Environment Center Chief	③	Reduction of 6%	Reduction of 25%	Reduction of 50%
	Renewable energy installation ratio	Toyota Boshoku group	Carbon Neutral Environment Center Chief	③	6%	15%	40%
	CO <sub>2</sub> emissions ratio in logistics (compared to FY2012)	Toyota Boshoku group	Carbon Neutral Environment Center Chief	③	Reduction of 36%	Reduction of 14%	Reduction of 20%
	Waste emissions reduction ratio (compared to FY2012)	Toyota Boshoku group	Carbon Neutral Environment Center Chief	③	Reduction of 16%	Reduction of 14%	Reduction of 20%
	Water consumption reduction ratio (compared to FY2014)	Toyota Boshoku group	Carbon Neutral Environment Center Chief	③	Reduction of 28%	Reduction of 6%	Reduction of 8%
	Symbiosis with nature (number of trees planted)	Toyota Boshoku group	Corporate & Profit Management Segment Chief	③	50k	Cumulative 640k	Cumulative 770k
	Ratio of sales of unit components of electrified products that will lead to minimization of environmental impact	Toyota Boshoku group	CTO	③	4.2%	10%	45%
Social	Number of patent applications	Toyota Boshoku	CTO	① ②	221	320/year	500/year
	Number of external presentations and papers	Toyota Boshoku	CTO	① ②	61	90/year	120/year
	Rate of new product development leading to Interior Space Creator	Toyota Boshoku	CTO	①	50%	65%	75%
	Ratio of vehicles that are expected to use products that contribute to traffic safety	Toyota Boshoku	CTO	②	–	20%	50%
	Number of participants in social contribution activities (annual)	Toyota Boshoku	Corporate & Profit Management Segment Chief	④	Total 1,067	Total 2,000	Total 2,000
	Degree of implementation of the Code of Conduct	Toyota Boshoku group	Corporate & Profit Management Segment Chief	⑤	78%	100%	100%
	Number of stress checks conducted for all employees	Toyota Boshoku	Health & Safety Field Chief	④	1/year	1/year	1/year
	Health checkup rate	Toyota Boshoku	Health & Safety Field Chief	④	99.9%	100%	100%
	Number of serious accidents involving company members	Toyota Boshoku group	Health & Safety Field Chief	④	0	0	0
	Number of serious accidents involving outside contractors and visitors	Toyota Boshoku group	Health & Safety Field Chief	③ ⑤	0	0	0
Governance	Number of environmental abnormalities and complaints	Toyota Boshoku group	Carbon Neutral Environment Center Chief	③ ⑤	0	0	0
	Number of serious cyber security incidents	Toyota Boshoku group	CISO	⑤	–	0	0
	DX certification	Toyota Boshoku	CISO	⑤	–	DX-Excellent company	DX-Excellent company
	Number of violations of antitrust laws	Toyota Boshoku group	Corporate & Profit Management Segment Chief	⑤	0	0	0
	Number of violations of anti-bribery laws	Toyota Boshoku group	Corporate & Profit Management Segment Chief	⑤	0	0	0
	Response to human rights risks in the supply chain (development of human rights due diligence)	Toyota Boshoku group	Purchasing Field Chief	④ ⑤	–	Expansion ratio 100%	Expansion ratio 100%
	External awards from customers	Toyota Boshoku	Marketing & Sales Field Chief	⑤	11	5	5
Compliance with timely and appropriate disclosure	Toyota Boshoku group	Corporate & Profit Management Segment Chief	⑤	100%	100%	100%	

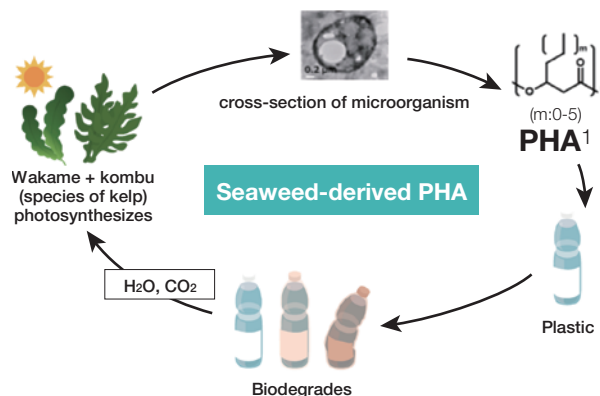
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Developing biodegradable plastic

Aiming to commercialize biodegradable plastic made from plentiful, discarded seaweed

Prompted by the issue of marine plastic waste, there has been growing interest in biodegradable plastic.

Through joint research with Iwate University, we have developed a technology to produce biodegradable plastic from microorganisms that feed on discarded wakame and kombu seaweed (species of kelp). We envisage its application in products such as packaging films and containers. We are continuing our research efforts with the aim of practical application and commercialization.



1 Polyhydroxyalkanoic acid. A type of bioplastic produced by microorganisms.

S

Social contribution through company sports activities

Carrying out activities to contribute to the development of young people, while aiming to “develop athletes who can compete in the world” and “win the New Year Ekiden”

The Toyota Boshoku Long Distance Team, established in 1995, won the 61st Chubu Corporate Ekiden Championship in 2021 for the first time in eight years, its fifth victory, and has participated in the New Year Ekiden for 25 consecutive years.

We value our relationship with the local community based on our Corporate Philosophy of corporate growth while fulfilling our responsibilities in harmony with society as a good corporate citizen. In fiscal 2022, two athletes participated in the “JFA Kokoro Project – Dream Teachers” organized by the Japan Football Association (JFA), which was held online due to the coronavirus pandemic. Children were taught about matters including the importance of striving for one's dreams and being grateful to those around them. We also hold time trial meetings,

etc. for top junior and senior high school athletes in Aichi Prefecture who are working hard in track & field events.

You can view details of our company sports activities on our website (Long Distance Team, Women's Basketball Team, Rowing Team, Toyota Boshoku Kyushu Handball Team). <https://www.toyota-boshoku.com/global/company/sports/>



Long Distance Team Captain Tatsuya Oike giving a lecture as a Dream Teacher

S

Health management

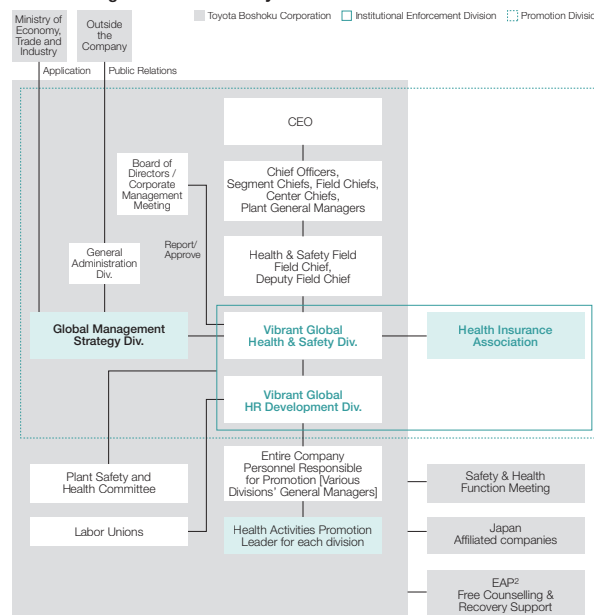
Certified as an Excellent Enterprise of Health and Productivity Management 2022 (White 500) in recognition of labor-management health initiatives

We regard enhancement of the health of our company members as a management task, and based on the Toyota Boshoku Health Declaration, we are promoting the creation of a company in which company members can work in good health and with vitality. Currently, we are endeavoring to improve the health literacy of our company members. This includes no-smoking initiatives on company premises, and proactively holding promoter meetings and making activity proposals to enhance workplace activities led by health activity promoters in each division. Details of our health management initiatives can be found on our website.

<https://www.toyota-boshoku.com/global/sustainability/social/health/>



Health Management Promotion System



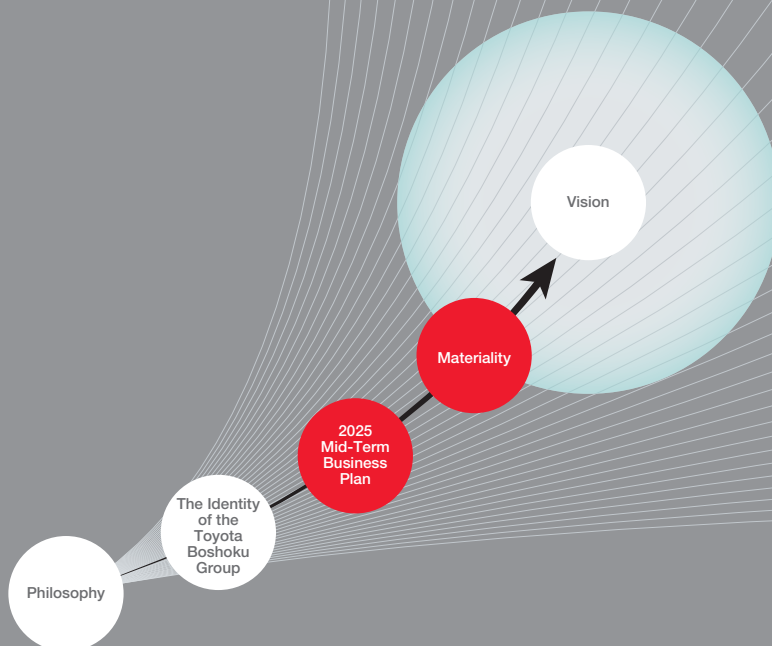
2 Employee Assistance Program: a program that supports company members in dealing with issues which affect productivity.



# Implementation and Results

Initiatives to realize materiality

- 39 Special feature 1: Aiming to be an Interior Space Creator
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FEATURE

# 1

Aiming to be an Interior Space Creator

## Continuing to create new services in a society that demands diversification

As CASE and MaaS continue to evolve, Toyota Boshoku group aims to become an Interior Space Creator. Takashi Yamamoto, Chief Technology Officer (CTO), talks about the roadmap to achievement of this aim, and company members working on the ground talk about topics including what it means to be an Interior Space Creator.

### Becoming an Interior Space Creator —the goal of the Toyota Boshoku group

The Toyota Boshoku group has declared its aim of becoming an Interior Space Creator, leading the creation of new value for mobility spaces. We are pursuing comfort in mobility spaces, on the foundation of safety and the environment. We will continue to take on the challenge of creating solutions to achieve the utilization of space in a way that provides value, thereby playing our part in the transformation of the mobility society.

### INTERIOR SPACE CREATOR

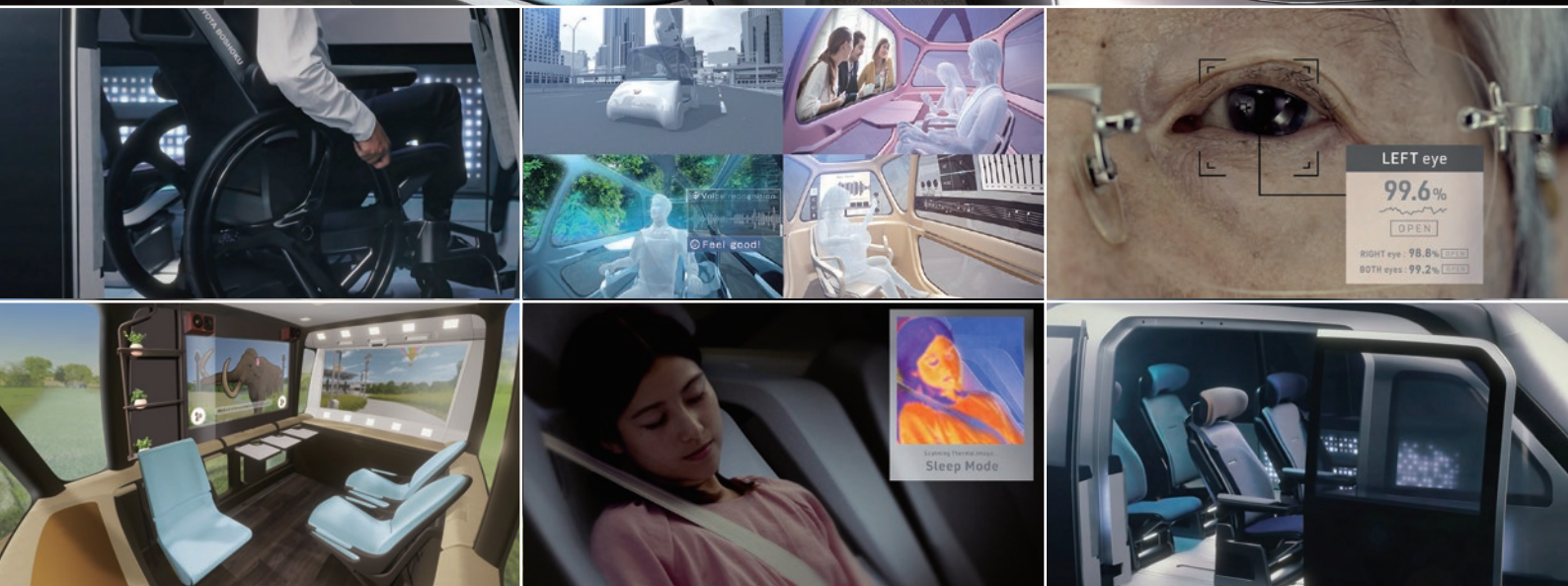
Total Vehicle Interior System

Differentiating new value offering

Complete vehicle interior value management

- Excellent UX<sup>1</sup>
- Design
- Function
- Craftsmanship
- 1 User eXperience

- Product strategy
- Cost control
- Procurement
- Manufacturing
- Quality management



## Officer's message

### Aiming to be a company that is needed by society through active collaboration with other companies

Takashi Yamamoto  
Director, Operating Officer  
Chief Technology Officer



#### Human-centered value creation

The automotive industry is now entering what is said to be a once-in-a-century transformational period. We view this period of change as a great opportunity for our group to further flourish.

Our group is strategically and continuously developing and launching mobility space solutions such as MX191, MX221 and MOOX, which take us toward our aim of becoming an Interior Space Creator. It is because we are a manufacturer of the interior space – including seats and door trims that people have direct physical contact with – that we are strongly conscious of human-centered value creation. We continue to undertake verification toward practical application of our proprietary technologies, including the use of biometric information through sensing, and the incorporation of a five-sense control system based on passenger behavior and emotional inference.

#### Immediate decision-making and action to avoid missing business opportunities

Under these circumstances, I believe the role of the CTO is to identify fields where growth is anticipated and where we can further develop our operations by leveraging our strengths, and to stimulate advanced research and

product development to create new value as an Interior Space Creator.

It is also important to make decisions with a sense of urgency so as not to miss business opportunities. Our aim is to promote collaboration within the Toyota Group and implement strategies through immediate decision-making and action.

#### Fusion with technologies held by Toyota Group companies

In a future in which CASE and MaaS continue to evolve, new functionality will be needed in the automobile interior. We will address this need through fusion with the technologies possessed by the various Toyota Group companies, which would be difficult for us to develop alone, so that we can propose a comfortable space that coordinates the entire vehicle interior.

The MX221, for example, features an interior that can be modified to suit the user, in anticipation of rideshare services based on autonomous driving Level 4 from the year 2030. The ability to easily install and switch between multiple interior modules in a single vehicle will surely lead to new business models in the MaaS market. In the development process, six Toyota Group companies including Toyota Boshoku worked together to fuse their strengths and create a solution that I believe expresses new value.

#### Aiming to create new businesses

In the future, we will particularly focus on “creating new value for spaces” and on “space planning.”

For example, in the area of creating new value for spaces, we have developed an IoT seat cover for transportation companies that utilizes a fatigue estimation and drowsiness suppression system. Demonstration testing began in March 2022, and verification and improvements are now underway.

In terms of space planning, the concept is to realize the interior update system proposed in the MX221 as a service model. To this end, beside technological collaboration with the Toyota Group, effective cooperation with companies that have expertise in different fields and startups is also important.

As an Interior Space Creator providing mobility space solutions, we aim to become a company that continues to be needed by society by promoting the creation of new businesses that lead to sustainable growth.

### Round-table discussion

We asked four company members working on the ground to talk about what society will be like in 2030, what kind of value Toyota Boshoku group will be able to provide to society at that time, and what challenges will need to be overcome to achieve that.



Goro Takahashi (photo: left)

Division General Manager, Interior & Exterior  
Advanced Development Division

Responsible for the management of a division that develops advanced interior and exterior components and designs lighting components

Enoch Morishima (photo: on screen)

Toyota Boshoku America Silicon Valley Innovation Hub  
Designer. Also responsible for finding partners for  
collaboration

Yoshiya Takagi (photo: center)

Senior Specialist, Seat Components Development Division  
Responsible for planning and development of seats  
toward achieving carbon neutrality

Rina Mukai (photo: right)

Interior Space Planning & Development Division  
Responsible for planning and development of MX221

## Q.1

How do you envisage society in 2030?

**Enoch** ● While it's unlikely that autonomous driving Level 5<sup>1</sup> will be widely available by 2030, I do see car sharing expanding.

**Takagi** ● I agree. However, I have a feeling that change will only occur in a few limited areas, such as smart cities.

**Takahashi** ● I envisage both possibilities, and it's also possible that breakthrough innovation could occur in the CASE and MaaS fields, or it could be an extension of the current situation. I believe we need to be prepared for both.

**Mukai** ● Outside of automotive-related areas, I believe that values are becoming even more diverse due to changes in people's lifestyles.

**Enoch** ● Indeed. Around 2030, the so-called Generation Z born after the mid-1990s will be at the center of the economy and industry. I'm sure their values will be strongly reflected in society.

**Mukai** ● That's right. Generation Z are digital natives who gather information

from social networking sites and have a keen interest in social issues, so I think socially and environmentally conscious products and services will be focused on more than ever before.

**Takagi** ● What is focused on in society is directly linked with the value we provide, so we need to be highly aware of such changes in our day-to-day operations.

**Takahashi** ● In terms of sensing changes in the market and values, it's important to stay well attuned to the situation at all times. While keeping our sights set on 2030, we must make sure not to miss any business opportunities during that process.

<sup>1</sup> Fully automated driving, freeing people from driving

## Q.2

What is an Interior Space Creator?

**Mukai** ● Things like the space itself, what you experience there, and enhancing the quality of life you gain from the experience. I believe it's about creating a space that can offer all of these things as new value.

**Takahashi** ● Indeed. Another important point is that it's not limited to automobiles. We intend to provide value for all kinds of spaces, including railways and aircraft, as well as housing and other areas.

**Takagi** ● I think the MOOX and MX series demonstrate what it means to be an Interior Space Creator.

**Mukai** ● I agree. I was in charge of planning for the MX221. We focused on proposing the entire interior space, and thought about the value to be provided and the specific functions and solutions to realize that. And Enoch reflected our plans in the design.

**Enoch** ● Yes. Working closely with the team in Japan, and also with the advanced design team, we discussed the whole project, from the concept design through to the design of the interior space.

**Mukai** ● I recently had the opportunity to introduce the MX221 to students, and I was delighted to see their interest in the work of total coordination of the entire vehicle interior.

**Takagi** ● I myself was not previously aware of the "space proposal" aspect.



## Initiatives to realize materiality

However, I was told that since we are a company that creates interiors, we ought to be able to make proposals for interior concepts and spaces, which made complete sense to me. Recently, as CASE and MaaS continue to evolve, I've felt that our group's role in making space proposals is really expanding.

### Q.3

#### What are the future challenges?

**Takahashi** ● I believe we cannot avoid addressing environmental issues such as carbon neutrality and the circular economy. In fact, technologies to reduce CO<sub>2</sub> emissions during the life cycle are becoming increasingly important.

**Takagi** ● Right now, I am involved in work related to the reduction of CO<sub>2</sub> emissions in seat production. We start by calculating CO<sub>2</sub> emissions for the entire life cycle, and then determine what level of reduction we can make in each process.

**Enoch** ● Of course, environmentally sound manufacturing is also a challenge, but I think the ideas and the sense of urgency that startup automakers have is a threat. They have a clear vision of what they want to do and develop their ideas freely,

without being constrained by conventional methods.

**Takahashi** ● I'm also occasionally surprised by how non-Japanese venture companies come up with completely unexpected car designs. For example, a vehicle without a front header<sup>2</sup> and just a sun visor, which overturns the conventional concept of the roof area. I feel we may not survive if we get stuck in stereotypical concepts.

**Enoch** ● Toyota Boshoku has a long history and a wealth of experience in the automotive field, but it's not an expert in the digital field, for example. In areas outside our expertise, we need to learn from other companies through open innovation.

**Mukai** ● In the development of the MX221, five Toyota Group companies worked with us from the planning stage.

**Takahashi** ● My division also developed products such as air curtains and circulators together with them. Even though we are part of the same Toyota Group, each company has a different corporate culture and decision-making criteria, as well as different ideas about the value to offer, so collaboration was a great learning experience.

**Mukai** ● I believe that collaboration in other fields is crucial, as exchanging opinions can lead to new insights.

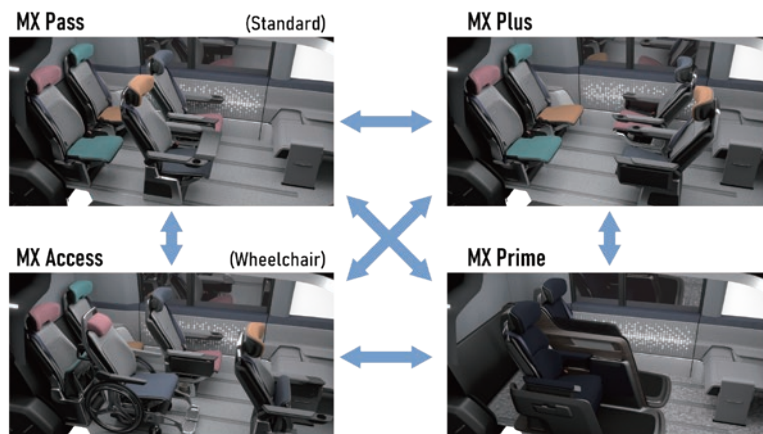
**Takagi** ● There's a lot to do and it's a challenge to implement open innovation with external parties as well as in-house collaboration in areas such as seats and interiors, but it's necessary if we are to become an Interior Space Creator.

**Takahashi** ● If each of our company members can approach their work with that kind of awareness, I believe the day when we become an Interior Space Creator will not be far off.

<sup>2</sup> A reinforcing component on the front side of the car's roof. A certain level of strength is maintained even if the car overturns in a collision, etc.

For more details on the round-table discussion, please visit our website "Team Breakthrough."  
<https://www.toyota-boshoku.com/global/teambreakthrough/>

#### MaaS rideshare interior space concept, MX221



Assuming autonomous driving level 4 after 2030, we propose an interior space for urban area rideshare mobility under the concept theme of "Diversatility"<sup>3</sup>.

The seat layout and interior items can be altered to meet diverse mobility needs and usage scenarios.

For more information on our value creation initiatives for mobility spaces, including MX221, please visit our innovation website.  
<https://tech.toyota-boshoku.com/global/>

<sup>3</sup> A term coined by combining the words "Versatility" and "Diversity." Versatile spaces to suit a variety of users.

# 2

FEATURE

## Diversity and inclusion at our production sites

The Toyota Boshoku group is promoting advanced MONOZUKURI that incorporates cutting-edge technologies such as DX and IoT. However, as our products come into direct physical contact with people, there are many processes that cannot be mechanized and are performed by people. We are focusing on creating production sites for the new era, which are kind to both people and the environment and where everyone can work comfortably. Outside Director Junko Shiokawa, who has observed the group's initiatives in the field, exchanged views with CMO (Chief Manufacturing Officer) Hiroshi Ioki on the importance of diversity and inclusion (D&I).



**Hiroshi Ioki**  
Operating Officer  
Chief Manufacturing Officer  
Top Plant General Manager

**Junko Shiokawa**  
Outside Director

Creating a workplace where everyone can work comfortably, not just certain people

**Shiokawa** ● I believe that D&I is an important theme that will determine the competitiveness of companies in the future. Investors evaluate a company's D&I situation from that perspective, and it is one crucial measure of a company's value. My recent visit to manufacturing sites showed me once again the diversity of initiatives at Toyota Boshoku group.

**Ioki** ● We have been focusing on diversity at our production sites for years, so I am glad to hear you say that. However, when it comes to

inclusion, we are seeing some challenges and are taking measures to address them.

**Shiokawa** ● What are the challenges?

**Ioki** ● In the past, we thought about creating production lines that were easy for certain people to work on, such as women and older people. However, recently we have been working on the idea of making production sites where everyone can work comfortably, where all kinds of people in the plant can interact and generate new ideas for process innovation and improvement, rather than production lines designed only for certain people. With this approach, I feel that the purpose of D&I at our

production sites is to enhance our manufacturing capabilities.

**Shiokawa** ● D&I leads to innovation.

I think that really is true. At the Toyohashi Plant, which I visited recently, I sensed how they are making efforts to create an open workplace where everyone can work comfortably, rather than focusing on certain people. Their activities include the Sakura Full Bloom Activity, in which company members write down the things they're having problems with on sticky notes and find solutions together; and the Nanohana (canola flower) Process, which makes the workplace more comfortable also for company members who are balancing work and childcare.



## Initiatives to realize materiality

**loki** ● I believe it's important to create an environment in which it is easy to speak up about problems, because they can occur to anyone. Of course, some company members need special support. Here we could mention D&I initiatives tailored to the needs of certain people, such as the original sign language used at the Sanage Plant, which enables hearing-impaired company members to immediately communicate with each other about product defects (→ see page 45: Case Study 2).

**Shiokawa** ● I can see that you're really promoting measures in a balanced way, without being overly biased one way or the other. On the other hand, for example, you mentioned that you are aiming for 1,000 cherry trees in the Sakura Full Bloom Activity (see Case Study 1 below for details), but I wonder

if this could become a burden for the group leaders who receive the noted problems and the members proposing them?

**loki** ● There are some concerns that company members may feel as if they are under a quota, so I think we need to make them aware that this is just an initiative to deal with problems that naturally arise, and we need to continue to implement it with consideration.

Accumulation of innovations and improvements originating from the local site supports quality and productivity enhancement

**Shiokawa** ● When visiting the plants, I was also amazed by the just-in-time production line. Everyone seemed to be working in a disciplined way without any hitches, but a lot of ingenuity was

put into every part of the process.

**loki** ● Yes. The old lines have been subject to automation and manpower has been reduced by using cutting-edge technology, but the parts of the line that set semi-finished products and remove the assembled products are done by people.

**Shiokawa** ● To increase productivity even further in the future, people's wisdom is important, right?

**loki** ● That's right, we are accumulating fine innovations and improvements on our production lines, and are working daily on improving the processes, including using methods such as *Karakuri Kaizen*.<sup>1</sup> In Japan, a model line has been set up at the Sanage Plant, and cases of improvements are being rolled out horizontally to all production sites (→ see page 45: Case Study 2).

## Case Study 1

### Toyohashi Plant—Sakura Full Bloom Activity / Nanohana (canola flower) Process

#### Improved workplace environment leads to improved quality, productivity, and motivation

Around 2016, the Seat Manufacturing Department of the Toyohashi Manufacturing Division was in a situation in which production conditions were unstable, the site managers didn't have time to deal with issues that arose, and company members were unable to discuss their concerns. In addition, the lack of communication meant there was a lack of vitality, leading to a vicious circle without any real improvement. So they started the Sakura Full Bloom Activity in which workers wrote down the things they were having problems with on sticky notes (i.e. the issues they couldn't discuss directly), their manager (team leader, group leader or above) responded and proposed solutions on pink sticky notes that look like sakura cherry blossoms, which were then pasted onto a model cherry tree. The number of cherry trees gradually increased from one in each department, and the response to problems began to involve senior management, including division general managers and plant general manager.

This has made it easier to discuss problems, and has also fostered a culture in which everyone in the workplace is

involved in solving problems, thereby revitalizing communication and brightening the workplace atmosphere. This activity has also led to improvements in stress checks and KPI on vibrant work environment (company members' satisfaction).

Another example is the Nanohana Process, which creates a workplace environment designed to be more comfortable for company members who work shorter hours for childcare.

For more information on the Sakura Full Bloom Activity and the Nanohana Process, please visit our website "Team Breakthrough."  
<https://www.toyota-boshoku.com/global/teambreakthrough/>



The trees are divided by team. The aim is to raise various issues and solve them together, aiming for 1,000 cherry trees.

<sup>1</sup> Making low-cost improvements to on-site problems and issues by using natural energy such as gravity and simple mechanisms/systems such as gears and the principle of leverage.

**Shiokawa** ● What aspects of production line improvement do you focus on?

**Ioki** ● That everyone can work without making mistakes and with minimal physical strain. I think it's not only to do with the ease of working—it also

enhances quality and increases competitiveness. Every month, we have a production meeting where members report on the initiatives of our plants, and I have the impression that more and more case studies of D&I-led improvement

are being presented there as well.

**Shiokawa** ● So the D&I perspective is also being applied to production line improvement?

**Ioki** ● I feel that our company members are communicating with

## Case Study 2

### Sanage Plant—Sewing process

#### Invention of an original sign language to facilitate communication with the hearing impaired

To prevent quality defects in the sewing process, work must be stopped the moment a defect is found, a relief member is called, and this member has to correct the defective part.

The sewing process at the Sanage Plant welcomed two hearing-impaired members in 2017. At that time, defects were communicated by means of writing and pointing. However, it took time to write mid-work, and there were some points where there were concerns about whether the intentions were being conveyed correctly. Therefore, an original sign language with more than 60 words was created for sewing defect jargon such as “wrinkle” and “tucked seam.” Hearing-impaired people are now able to communicate smoothly and have a comfortable workplace. We have welcomed trainees in cooperation with a school for the deaf, and seeing company members who graduated from their school working so enthusiastically has led to a positive cycle in which new hearing-impaired members are joining the company.



Pointing to the eye and raising the finger up to indicate stitch skipping (a defect whereby the yarn skips stitches)

### Sanage Plant—Seat production process

#### Increasing workability and work efficiency through *Karakuri Kaizen*

In the seat production process at the Sanage Plant, we are working to create a production process that integrates *Karakuri*, people, and technological innovation with the aim of creating a model line that is at the forefront of the entire Toyota Boshoku group.

The Manufacturing Division, Production Engineering Division, and Production Research Division are working in unison to implement a cycle whereby cases of improvement globally are incorporated in the seat production process, and the results of this are again disseminated as information.

*Karakuri Kaizen* are undertaken primarily by the Manufacturing Division, while receiving advice from the Technical Skills Development Division. It is not easy to devise and fabricate a *Karakuri* device that does not directly use energy such as electricity or air, but instead employs gravity, etc. arising from existing processes, applying this to gears or the principle of leverage. However, through such improvement activities, the workers themselves have realized that tasks they had previously taken for granted were actually burdensome, and they have also become more motivated to make new improvements.

The number of innovation improvements (automation, IoT, AI), operational improvements (*Karakuri*), and work environment improvements introduced to the model line in fiscal 2022 totaled 28.



There was significant strain during work due to poor posture, so a device was introduced that reduces the burden by raising the frame.

For more information on the original sign language and *Karakuri Kaizen*, please visit our website “Team Breakthrough.”  
<https://www.toyota-boshoku.com/global/teambreakthrough/>

2 A responder in the event of defects

## Initiatives to realize materiality

each other and implementing these initiatives spontaneously.

**Shiokawa** ● I've also seen improvements in the field, such as being able to work without bending over or being able to reach parts without stretching, and I can see how these improvements are emerging spontaneously.

### Achieving MONOZUKURI from the customer's perspective in cooperation with all global sites

**loki** ● Our group has something called the Toyota Boshoku Global Production System. This system provides a global view of the status of productivity and quality for each plant and production line.

**Shiokawa** ● How do you make use of this information among the company members?

**loki** ● For example, we can view the ranking for which line has the best seat urethane quality, including production sites outside of Japan. We can also see what kind of improvements are being made at the top-ranking site.

**Shiokawa** ● It's good to be able to browse case studies as well as rankings. If there are innovations that can be incorporated in one's own

plant, they can be learned from too. Rather than being divided vertically by plant, refinements can be made globally through a process of friendly competition.

**loki** ● The production meeting, I mentioned earlier, is actually a good opportunity to promote inclusion. We used to hold the meeting only in Japan, but starting in 2020, after the coronavirus pandemic broke out, we made it an online meeting so that sites outside Japan could participate in real time as well. We also installed several cameras at production sites in order to introduce case studies, so that there could be interaction between Japan and other sites overseas.

**Shiokawa** ● Remote conferencing has evolved quite a bit recently, which has made that possible. However, there are probably many challenges with sites outside of Japan, such as the time difference and language barrier.

**loki** ● We have plants in 22 countries and regions around the world, so it's true that there are language barriers. At the moment we manage to conduct the meetings with the help of an interpreter, but we need to devise ways that allow us to have frank discussions in the future, transcending barriers.



Mr. Nagata, general manager of the Toyohashi Plant, explaining the Nanohana (canola flower) Process, where the ceiling framework is painted yellow, to outside director Junko Shiokawa.

**Shiokawa** ● That's a point I would really like you to focus on. I have high hopes that constructive and proactive discussions among the people at our production sites, including those outside Japan, will generate novel ideas for improvements and innovations that will drive the company forward.

**loki** ● To achieve that, I think it really is a matter of D&I into practice. It's really important for a diversity of people to have lively discussions from various viewpoints while respecting each other, and I think this is the key to improving our competitive advantage. We would like to continue to provide the places and opportunities for this to keep happening.

#### Officer's Message

### Respecting individuals with diverse backgrounds and experiences, contributing to innovative growth and value creation

I believe that D&I initiatives will increase our company's competitiveness and enhance corporate value. There is a need to embrace the broad range of experiences of each company member to bring more perspectives, and to hire people with diverse backgrounds and experiences.

We have listened to our company members not only at our production sites, but also in the administrative and engineering divisions through workplace surveys, roundtables, and one-on-one meetings. Based on the various opinions we have gathered, we are moving forward to improve our workplaces and systems to support the diversity of our company members.

In future, we will continue with our efforts to improve the workplace culture and make our workplaces even more open. This should allow each of us to express our thoughts and opinions even more freely, and to be accepted. This is truly inclusion. A more diverse and inclusive environment leads to an innovative spirit. I believe that my mission is to create a workplace where everyone can realize their full potential.



**Douglas Shields**  
Deputy Segment Chief  
Corporate & Profit  
Management Segment

# 1

Pursue safety, environment and comfort, and increase customers, thereby evolving into a trusted supplier capable of offering optimal proposals to customers

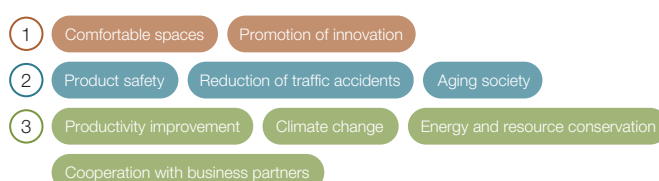
## Activity targets

Revenue **1,600** billion yen +  $\alpha$

### The surrounding environment

- Pressing need to address the transformation of automobile interior components with the advancement of CASE and MaaS

### Related materiality



### Implementation items / Points

1	Promote advancement of front and rear seat frames that continuously surpass competitors and pursue innovation in next-generation seat devices	Acquire technology advantage through robust benchmarking	→ P. 49
2	Globally expand the SS (system supplier) field by having the ability to plan the entire automobile interior space and exercising new technologies and global procurement capacity	Region, development field, and item expansion activities	→ P. 50
3	Expand sales to strategic OEMs (including Toyota alliance partners)	Transformation into a leading global proposal-driven manufacturer	→ P. 51
4	Promote new growth strategic items for electrification	Make a leap toward future growth strategy	→ P. 52
5	As an Interior Space Creator, establish a business model leading to further growth of Toyota Boshoku group	Maximize the benefits of collaboration within the Toyota Group Create new value in the interior space through investment in start-up companies	→ P. 39 → P. 69

### Related KPIs and targets

Ratio of sales of unit components of electrified products that will lead to minimization of environmental impact	ESG KPI	Scope	Toyota Boshoku group	2025 target	10%
Rate of new product development leading to Interior Space Creator	ESG KPI	Scope	Toyota Boshoku	2025 target	65%
Ratio of vehicles that are expected to use products that contribute to traffic safety	ESG KPI	Scope	Toyota Boshoku	2025 target	20%
Number of patent applications	ESG KPI	Scope	Toyota Boshoku	2025 target	320/year
Number of external presentations and papers	ESG KPI	Scope	Toyota Boshoku	2025 target	90/year
Ratio of sales to companies other than Toyota Motor Corporation		Scope	-	2030 target	20%
Ratio of sales in new business		Scope	-	2030 target	5%



## Message from officer responsible for the Action

# Expanding our product and business fields to become a company that serves as “Home” as an interior system supplier—our 2025 Target—and subsequently an Interior Space Creator



Takashi Yamamoto  
Director, Operating Officer  
Chief Technology Officer

## Comprehensive competitor benchmarking to re-analyze our strengths and weaknesses

To create new value as an Interior Space Creator by 2030, our 2025 target is, as an interior system supplier, to become a company that serves as “Home.”\* In the 2025 Mid-Term Business Plan formulated to achieve this goal, we will first strengthen the competitiveness of our core products and further expand our lineup of needed technologies and products. In our goal to be an Interior Space Creator, we believe it is necessary to acquire the capability to propose an entire vehicle interior that is comfortable, safe, and secure.

In fiscal 2022, the first year of the 2025 Mid-Term Business Plan, we pushed forward with activities aimed at achieving this goal. First, in order to have a firm grasp of our position, we performed comprehensive benchmarking against our competitors and identified our strengths and weaknesses. In order to further strengthen our global competitive advantage, in the seat business we are transferring the commercial rights in automotive seat frame mechanism parts, as well as production, from Aisin Corporation and Shiroki Corporation, thereby consolidating mechanism parts and promoting high efficiency in development and production by securing volume (→ see page 49).

Additionally, with a view to expanding our business fields, we are becoming effectively a project leader for new vehicle models, and are advancing with automotive interior development (→ see page 50). As a result of these efforts, we have positioned automakers that are partners of Toyota Motor Corporation as strategic OEMs, and are actively promoting activities to win orders. This is already beginning to bear fruit (→ see page 51).

## Strategic allocation of resources to enhance our competitive advantage and prepare for the CASE and MaaS era

In order to realize the technology roadmap drawn up with the aim of becoming an Interior Space Creator, in fiscal 2023 we will coordinate the management strategies, regional strategies, and future plans of each division so that each business, field, and center can share measures and achieve our goals, while also continuing the activities undertaken in fiscal 2022. Going forward, based on the technology roadmap, the Interior Space Visioning Center will take the lead in markets with growth potential, while the New Value Creation Center will take the lead in fields that solve social issues, thereby promoting the creation of fourth and fifth new fields and the creation of new value.

In response to the ongoing electrification of vehicles, we will start developing assembly products and system products by utilizing the core electrification technologies we have cultivated to date, aiming to contribute to next-generation mobility and carbon neutrality (→ see page 52).

In preparation for the coming CASE and MaaS era, including electrification and autonomous driving, we will allocate resources in a strategic and appropriate manner to accelerate the development of new products and technologies and bolster our competitive advantage.

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



Main initiatives

1	Promote advancement of front and rear seat frames that continuously surpass competitors and pursue innovation in next-generation seat devices	Materiality No. <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">3</span>
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Results	<ul style="list-style-type: none"> <li>Integrated the seat frame mechanism component business of Aisin Corporation and Shiroki Corporation into the Company</li> </ul>
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To further strengthen the global competitiveness of the automotive seat business and serve as “Home” as an interior system supplier, since 2015 we have been progressively consolidating the development and production functions of seat frame mechanism parts.

In fiscal 2022, we reached agreement to transfer Shiroki Corporation’s commercial rights\* in automotive seat frame mechanism parts for Suzuki Motor Corporation, Daihatsu Motor Co., Ltd. and Mazda Motor Corporation from Aisin Corporation. With regard to the production functions, in June 2022 we reached agreement to transfer production, following the transfer of the Nagoya Plant of Shiroki Corporation, which is Aisin Group’s main domestic production base for seat frame mechanism parts. Through this transfer, we aim to establish

a system in which our group can perform all processes from development to production in an integrated manner.

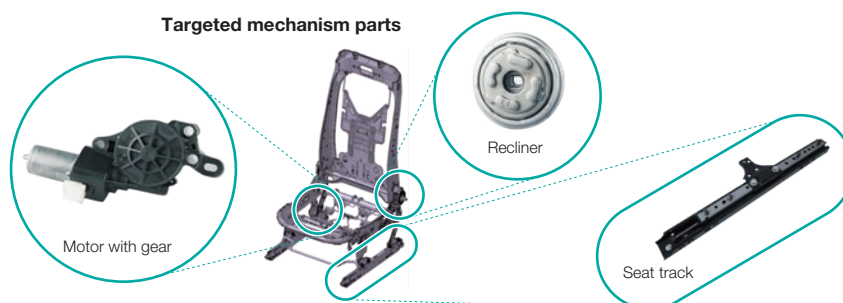
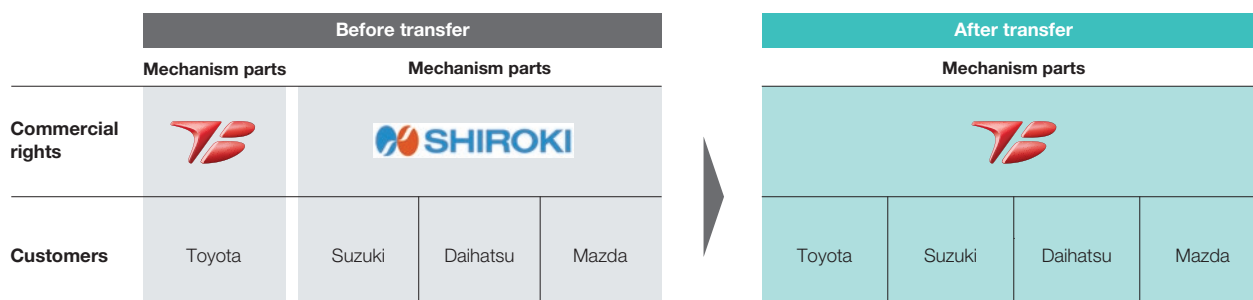
The first round of deployment of the new-generation seat frame is almost complete, and moving forward toward 2030, we will now conduct comprehensive benchmarking against our competitors, develop next-generation frames, devices, etc., and pursue optimal production using automation, IoT, and AI.

We will continue to further bolster our competitive advantage as we aim to become a solutions company for the interior space capable of creating new corporate value as an Interior Space Creator.

\* A position in a sales contract

Transfer of commercial rights for automotive seat frame mechanism parts

Enhance the efficiency of development and production by integrating each respective company’s mechanism components and securing component volume



Initiatives to realize materiality

**Main initiatives**

2	<p>Globally expand the SS (system supplier) field by having the ability to plan the entire automobile interior space and exercising new technologies and global procurement capacity</p>	<p>Materiality No. 1</p>	<p>Materiality No. 2</p>
Results	<ul style="list-style-type: none"> <li>Toyota Boshoku personnel were seconded to Toyota Motor Corporation and served as project leaders to carry out interior development</li> </ul>		

In terms of expanding our business fields in the interior and exterior areas, we are

- 1) expanding the regions where we operate,
- 2) expanding our development fields, and
- 3) expanding our items.

In terms of regional expansion, we promoted the development of interior products for China and North America.

In terms of expanding our development fields, we have been training leaders to manage projects, and with regard to items, we have been expanding noise and vibration (NV) related products and ceiling modules. In particular, in the expansion of development fields, to acquire project management capabilities

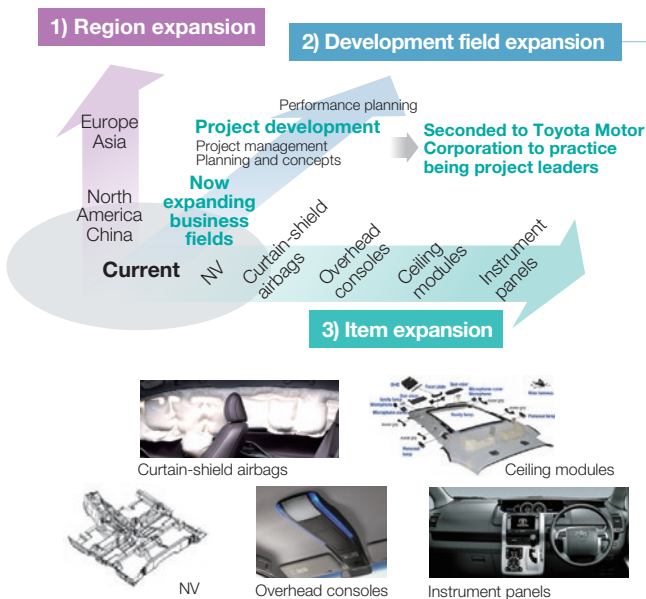
we seconded personnel to Toyota Motor Corporation, who became the actual project leaders to conduct interior development for new automobile models.

Additionally, to further improve our planning and proposal capabilities, we will work together with OEMs to implement automobile interior NV planning and proposals for new models. Furthermore, we will promote the acquisition of side-impact management capabilities while learning from Toyota Motor Corporation.

By advancing efforts to expand our business fields by 2025, we will expand our capacity as an interior SS and serve as “Home” in the interior area.

**Expansion of development fields in interior SS**

**Expansion of business fields**



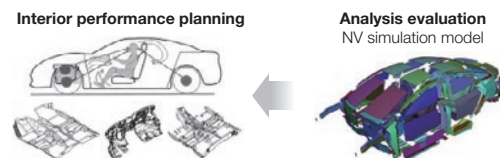
**Initiatives of fiscal 2023 to expand development fields**

**<Project management>**

Toyota Boshoku carries out interior development as the project leader

**<Performance planning>**

- NV: Planning and proposing automobile interior NV performance



- Side-impact: Acquired side-impact management skills through practice at Toyota Motor Corporation

**By advancing efforts to expand business fields, we will expand our capacity as an interior SS and serve as “Home” in the interior area**

Main initiatives

3	Expand sales to strategic OEMs (including Toyota alliance partners)	Materiality No. 3
Results	<ul style="list-style-type: none"> <li>Secured new orders from strategic OEMs</li> </ul>	

Currently, our group has positioned automakers that are alliance partners of Toyota Motor Corporation as strategic OEMs, and we are promoting activities to win orders, aiming for at least 20% of sales to comprise companies outside Toyota Motor Corporation by 2030.

In the global market, in order to join the ranks of the major suppliers, we are receiving orders for global vehicle models as a development supplier, and are strengthening our sales expansion activities with the aim of achieving a level that surpasses our global competitors.

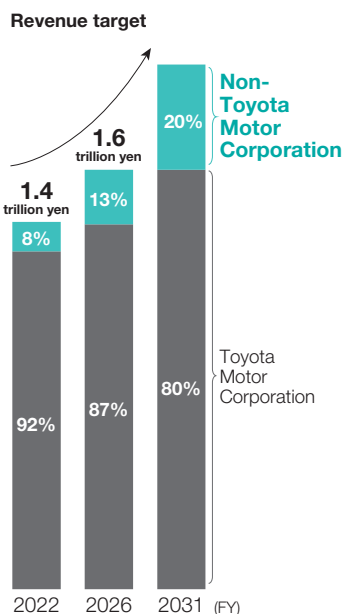
In terms of expanding sales to Japanese automakers, we are promoting activities to win orders by leveraging our high value-added technologies in regions where we anticipate

business expansion. As part of these activities, we are also looking to collaborate with existing suppliers.

In the seat field, where we foresee future growth, in fiscal 2022 we won a new order from a strategic OEM in Indonesia and commenced mass production. We are also steadily expanding sales in the Asia region. This is the fruit of both our price competitiveness through effective use of existing resources, and our R&D capabilities.

Furthermore, in the India market, we aim to win orders for seats in new projects in the south of the country, while gaining orders through collaboration with local suppliers in the west. We will expand to northern India and other regions in the future on the strength of our high value-added products.

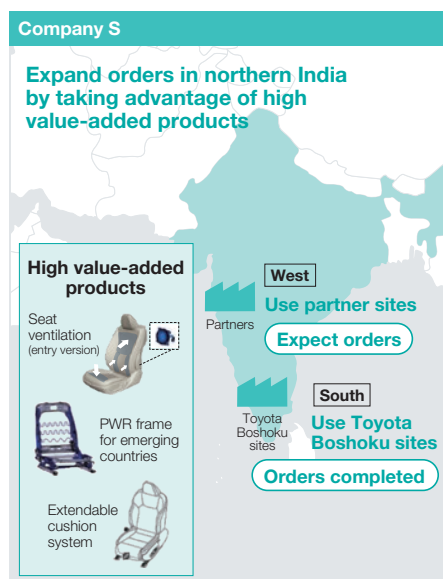
Winning new orders from Toyota alliance partners



Examples of new orders



New seat business orders in growth markets



Initiatives to realize materiality

**Main initiatives**

<b>4</b>	<b>Promote new growth strategic items for electrification</b>	<b>Materiality No.</b> 1	<b>Materiality No.</b> 3
		<b>Results</b> • Started production for SUVs in existing motor core business	

In response to the future electrification of automobiles, we will expand sales of electrification-related products so that they comprise 10% of sales revenue in the unit components business by 2025.

**1) Motor cores for HEVs**

In fiscal 2022, we began mass production for Toyota's new Noah and Voxy.

Going forward, we aim to further increase the number of vehicle models incorporating our products and expand business to companies other than Toyota Motor Corporation.

**2) Separator for fuel cell stack**

Utilizing the group's proprietary high-precision stamping and molding technologies, our separator was adopted for Toyota's new MIRAI.

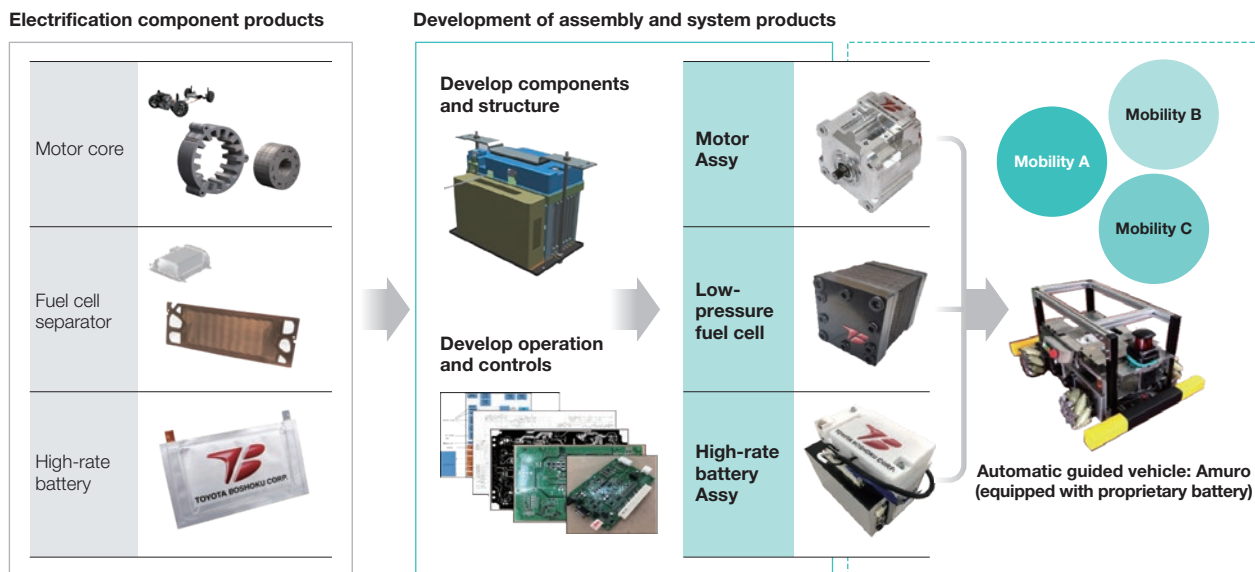
**3) Lithium-ion batteries (High-rate battery)**

We develop products utilizing our group's strengths in microfiber and high-precision stamping technologies. We have installed lithium-ion batteries in automatic guided vehicles at our plants, and are conducting demonstration tests.

Taking advantage of the high input/output performance and low heat generation that are characteristic of our products, we are also considering future applications in the automotive field for high-performance super sports cars, and for new types of mobility other than automobiles.

In fiscal 2023, as a new initiative, we will start developing assembly products and system products by utilizing the core electrification technologies we have cultivated in our single-product business, aiming to contribute to next-generation mobility and carbon neutrality.

**Expansion from single-product business to assembly and system products**



**Embark on development of new products that contribute to electrification and next-generation mobility**

# 2

Thoroughly improve productivity and implement business strategies while enhancing cooperation among Product business segments and Regions

**Activity targets**

Operating profit **100** billion yen +  $\alpha$

**The surrounding environment**

- Need to strengthen core business and enhance profitability to address future change in the automotive industry

**Related materiality**



**Implementation items / Points**

1	Promote true localization in Asia and China to raise marginal profit		-
2	Improve production systems in China and the Americas ready to respond to production increase at our main customer	Effective use of limited investment and resources	-
3	Maximize the effects of restructuring in the Japan region		-
4	Strengthen capability to respond to fluctuations in demand		→ P. 55
5	Execute loss-free launch of new products and measures that will secure earnings without fail		→ P. 56

**Related KPIs and targets**

Number of sites reorganized	Cumulative result to FY2022	6 sites
Marginal profit ratio	FY2022 result	21%



## Message from officer responsible for the Action

# Aiming to be a strong company that can respond to any change by mastering MONOZUKURI



**Hiroshi Ioki**  
Operating Officer  
Chief Manufacturing Officer  
Top Plant General Manager

## Steadily implementing each of the measures under the Priority Action

I believe it is essential to acquire MONOZUKURI competitiveness that is responsive to changes in the environment, which include growing uncertainty resulting from recent natural disasters and infectious diseases, and changes to manufacturing techniques in line with product innovation for CASE and MaaS.

In fiscal 2022, in Japan we supplemented production across regions and provided human support to address fluctuations in production volume stemming from shortages of semiconductors and other components. During that process, we have developed an environment that is easy for a diversity of human resources to work in and that is responsive to fluctuations (→ see page 55).

In order to cope with future increases in production, we completed streamlining of six sites in Japan cumulatively to fiscal 2022, including those of our affiliates, by expanding the framework to include not only our own production sites and affiliates, but also distribution sites and even our customers' sites. Going forward, we will work to streamline the entire supply chain, inclusive of our business partners. In the Americas region, the planned consolidation of seat welding and door trim processes was completed in fiscal 2022, and we are currently working to complete process reorganization in fiscal 2023. We will continue to boost our MONOZUKURI competitiveness, including by improving the break-even point in each region and site.

In order to enhance our ability to generate earnings, we have formed plant-based Monozukuri team to achieve cost planning targets and realize smooth product launches. By combining the digital tool of virtual reality (VR) with a simulation of the actual production process reproduced in cardboard, we were able to ensure that manufacturing requirements were properly incorporated in the product drawings. As a result, re-work losses were reduced and marginal profit targets were

achieved. In the future, we will set ourselves even higher goals as we expand this initiative (→ see page 56).

## The role of the CMO in improving MONOZUKURI competitiveness

I believe that HITOZUKURI and the enhancement of production and manufacturing technologies in support of our work sites are important elements for increasing the group's MONOZUKURI competitiveness. To ensure that the individuality and abilities of each member are maximized, and that the entire team continues to move forward toward a single goal, we will strive to create an environment in which leaders in particular can acquire a wide range of skills in addition to manufacturing, including knowledge of quality management, development of junior members, and leadership.

There are also "production engineering," which develops cutting-edge equipment incorporating AI and IT technology expertise; "manufacturing technology," which optimally changes the way equipment is used, such as increasing the productivity of existing equipment and making enhancements to equipment to prevent defects; and "daily improvements," which are implemented by everyone working on site when various problems occur. I believe that only when these three elements are well integrated can they contribute to our MONOZUKURI capability.

As CMO, I will act as a bridge between each region and the Functional Collaboration Reinforcement Unit, fields of research and development, and production engineering, and together with our company members, I will promote activities to achieve MONOZUKURI competitiveness.

Main initiatives

4	Strengthen capability to respond to fluctuations in demand	Materiality No. <span style="border: 1px solid green; border-radius: 50%; padding: 2px 5px;">3</span>	Materiality No. <span style="border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">4</span>

- Results**
- Responded to changes in the environment throughout the supply chain, including cross-regional, multi-factory parallel production (bridge production) and human support using a skills matrix
  - Expanded diversity processes at production sites

Amid severe production volume fluctuations resulting from the coronavirus pandemic and parts shortages, we responded flexibly to changes in the environment throughout the supply chain, including cross-regional, multi-factory parallel production (bridge production) and human support using a skills matrix.

In the production of seat covers for the Lexus ES, when output was cut in September 2021 due to semiconductor shortages, we implemented upfront production and proactively built up inventory. Production volumes subsequently recovered from December and it became necessary to deliver volumes exceeding our production capacity. Therefore, we increased capacity in the Tokai region while supplementing the excess in the Kyushu region. By supplementing production across regions, we were able to handle increased production without additional personnel or equipment.

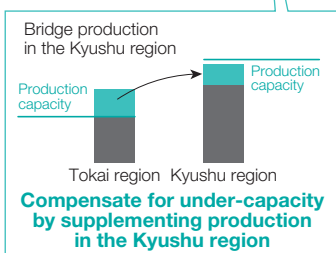
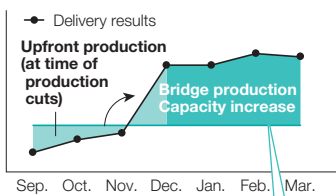
We have also implemented centralized management of skill evaluations (sewing) for technicians covering a total of 28 companies, including suppliers and various companies within the Toyota Boshoku group. We are working throughout the supply chain to provide efficient human resource support beyond company and regional boundaries.

To cope with production fluctuations, it is essential not only to have a flexible production system, but also a workplace that is easy to work in for the diverse human resources supporting the group's production activities. We will further expand our diversity-enabling processes to allow people with disabilities, seniors, and those working shortened hours, among others, to play an active role.

Deal with fluctuations in production due to natural disasters and infectious diseases

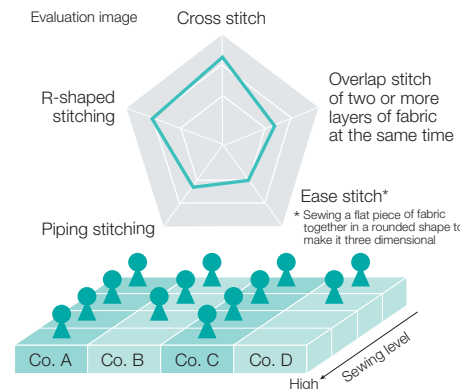
Supplement production across regions

- Tokai region ES seat cover production volume

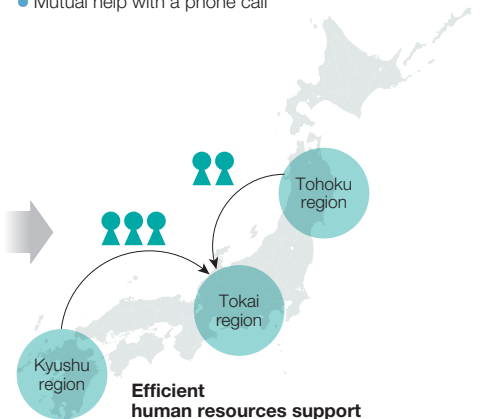


Human support across regions

- Centralized management of the group's skill evaluation (sewing)



- Mutual help with a phone call



Address changes in the environment throughout the supply chain

Initiatives to realize materiality

**Main initiatives**

5	<p>Execute loss-free launch of new products and measures that will secure earnings without fail</p>	<p>Materiality No. <span style="border: 1px solid green; border-radius: 50%; padding: 2px 5px;">3</span></p>	<p>Materiality No. <span style="border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">4</span></p>
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**Results**

- Reduced re-work losses and achieved marginal profit targets through plant-led early problem-raising and cost reduction activities

The Toyota Boshoku group aims to achieve loss-free launches when producing new products.

In fiscal 2022, we worked on three key points to implement smooth launches of products for global vehicle models.

**1) Formation of plant-based Monozukuri teams\* at the development stage**

Earlier and deeper involvement of the plant that is actually manufacturing the product, making it possible to incorporate the manufacturing requirements in the product drawings and enhance the completeness of the drawings.

**2) Fusion of a digital tool with a simulation of the actual production process reproduced in cardboard**

The actual process is created out of cardboard, and the workability and workload are evaluated using virtual reality (VR). Compact process layouts and even the placement of jigs and tools are thoroughly verified to realize the best process creation with no waste.

**3) Support for affiliated subsidiaries and sites outside Japan, led by the parent plant in Japan**

In the early stages of the production and manufacturing preparation phase, remote cameras are used to check assembly and the finished result, with any issues shared and problems raised with the development side.

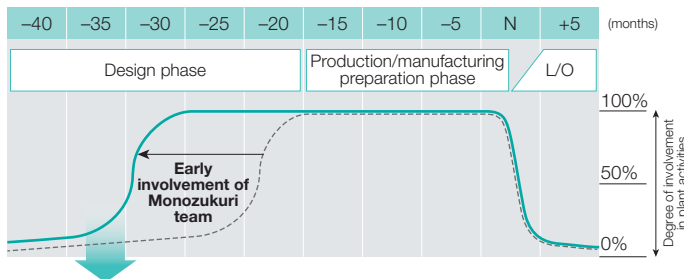
As a result of these measures, re-work losses have been reduced and marginal profit targets achieved in the staged launch of vehicle models at the three plants in Japan and overseas.

Going forward, we will work on developing VR data from the cardboard processes for global vehicle models, and will strive to shorten lead times for production preparation through the sharing of initiatives carried out by the lead sites with the latecomer sites.

\* Monozukuri team: Engagement by the plant in design and production engineering activities, working as a team.

**Smooth launch of global vehicle models to achieve cost targets**

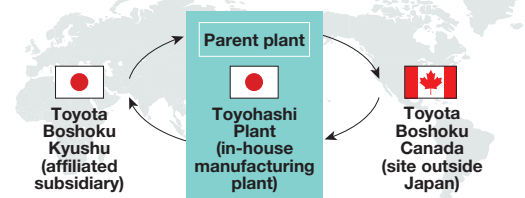
**1) Form a Monozukuri team (at the plant level) → Plant is involved earlier and more deeply**



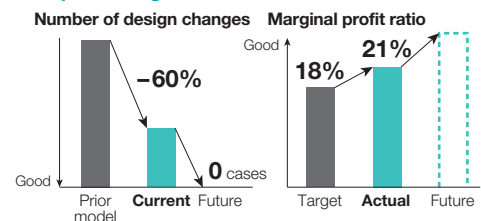
**2) Improve completeness of drawings by running digital and physical simulations → Steadily incorporate manufacturing requirements into the product drawings**



**3) Launch in stages at plants → Parent plant supports latecomer countries**



**Plant-led early problem-raising and cost reduction activities → Reduce re-work losses and achieve marginal profit targets**



# 3

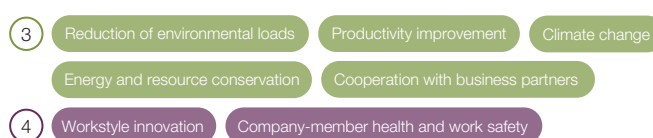
## Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives

- Activity targets**
- Establish a MONOZUKURI foundation globally that makes us a reliable company of choice
  - Have the MONOZUKURI competitiveness to support our future evolution as an Interior Space Creator

**The surrounding environment**

- Production and logistics systems must be urgently built throughout the supply chain in order to become carbon neutral

**Related materiality**



**Implementation items / Points**

1	Improve process quality by implementing TQM <sup>1</sup> by all company members	Further improve operational quality of all work through activities to win the Deming Prize <sup>2</sup>	→ P. 59
2	Realize an optimal global production and supply system	Establish optimal production and supply system through production reorganization	-
3	Establish supply bases for global competitiveness	Build robust supply chain management	-
4	Strengthen global MONOZUKURI competitiveness by promoting DX	Create "connected factories" in the global supply chain	-
5	Minimize environmental stress by promoting MONOZUKURI innovation	Plan and execute supply chain strategies to achieve carbon neutrality	→ P. 27 → P. 60

<sup>1</sup> Total Quality Management: To maintain a flexible and resilient corporate structure, aiming to increase the capabilities of humans, the organization and processes founded on the basic TQM philosophy of "customer first," "continuous kaizen," and "total participation."  
<sup>2</sup> The top-ranking global award for TQM. Awarded to private-sector organizations and individuals who have made significant contributions to the advancement of TQM.

**Related KPIs and targets**

Production CO <sub>2</sub> emissions reduction ratio (compared to FY2014)	ESG KPI	Scope	Toyota Boshoku group	2025 target	Reduction of 25%
Renewable energy installation ratio	ESG KPI	Scope	Toyota Boshoku group	2025 target	15%
CO <sub>2</sub> emissions ratio in logistics (compared to FY2012)	ESG KPI	Scope	Toyota Boshoku group	2025 target	Reduction of 14%
Waste emissions reduction ratio (compared to FY2012)	ESG KPI	Scope	Toyota Boshoku group	2025 target	Reduction of 14%
Water consumption reduction ratio (compared to FY2014)	ESG KPI	Scope	Toyota Boshoku group	2025 target	Reduction of 6%
Symbiosis with nature (number of trees planted)	ESG KPI	Scope	Toyota Boshoku group	2025 target	Cumulative: 640k
Number of serious accidents involving company members	ESG KPI	Scope	Toyota Boshoku group	2025 target	0
Number of serious accidents involving outside contractors and visitors	ESG KPI	Scope	Toyota Boshoku group	2025 target	0
Number of environmental abnormalities and complaints	ESG KPI	Scope	Toyota Boshoku group	2025 target	0
DX certification	ESG KPI	Scope	Toyota Boshoku	2025 target	DX-Excellent Company



### Message from officer responsible for the Action

## Aiming to improve customer satisfaction based on the TQM philosophy



**Noboru Hidaka**  
Chief Quality Officer  
Field Chief, Quality Field

Our 2025 Mid-Term Business Plan sets higher business target than previous plans. This is because the company will not survive the harsh competitive environment unless it changes. I believe it is extremely crucial for all company members to think, decide, and act on their own initiative in order to improve customer satisfaction in accordance with the TQM philosophy of “customer first,” “continuous *kaizen*,” and “total participation.”

In fiscal 2022, we established a system for evaluating the level of TQM activities and human resource capabilities as the foundation for our organizational capability. While we can now conduct activities with TQM as the axis of management, there

are still issues to be addressed in the global deployment of TQM (→ see page 59).

In fiscal 2023, we will work to address these challenges and raise knowledge of TQM in other business sectors and the Corporate Operation Unit by adopting and implementing the practices used by the Kariya Plant and the Unit Production Engineering Center.

The entire company will make step-by-step progress in activities to win the Deming Prize and improve the process quality of all work by practicing TQM.

### Message from officer responsible for the Action

## Company-wide initiatives to address environmental issues in cooperation with customers, suppliers, administrative authorities, etc.



**Hirotosugu Kobayashi**  
Field Chief, Logistic Field  
Field Chief, Health and Safety Field  
Center Chief, Carbon Neutral Environment Center

In fiscal 2022, we changed our CO<sub>2</sub> emissions reduction target from 38% to 50% by 2030 (compared to fiscal 2014), as we work to achieve the 2050 Environmental Vision and take on the challenge of achieving zero CO<sub>2</sub> emissions. In fiscal 2023, we are focusing on efforts to halve CO<sub>2</sub> emissions from in-house production (Scope 1 and 2).

Going forward, we aim to reduce CO<sub>2</sub> emissions throughout the supply chain (Scope 3) in order to achieve zero CO<sub>2</sub> emissions in the life cycle. First, we will accurately identify our CO<sub>2</sub> emissions, improve definitions and information accuracy, and promote initiatives with customers, suppliers, and the

administrative authorities. I believe it is also important to actively utilize open innovation to generate synergies between our technologies and technologies outside the company. In addition, we will challenge ourselves to achieve carbon neutrality by 2050 through measures to reduce CO<sub>2</sub> emissions from product materials, and through the recycling of product materials and the utilization of biomass aimed at realizing the circular economy (→ see pages 27 and 60).

Main initiatives

1	Improve process quality by implementing TQM by all company members	Materiality No. <span style="border: 1px solid green; border-radius: 50%; padding: 2px 5px;">3</span>	Materiality No. <span style="border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">4</span>
	Results	<ul style="list-style-type: none"> <li>• Won the Deming Prize (Kariya Plant and Unit Production Engineering Center)</li> </ul>	

We have been strengthening our TQM activities since fiscal 2018, and in fiscal 2019 the Kariya and Sanage plants were awarded the Recognition of TQM Achievement.\* Then, in fiscal 2022, the Kariya Plant and the Unit Production Engineering Center won the Deming Prize. The audited divisions were praised for their clarification of management goals and issues, their team efforts for *kaizen* (improvement), and the process and effectiveness of reform in order to realize the value sought by customers (see the figure below for details).

Through these activities, the unit components manufacturing and production engineering organizations were able to systematically implement activities with TQM as the axis of management, greatly improving the TQM level and the operational quality of all work. Moving forward, we will apply the operational quality improvement measures learned through

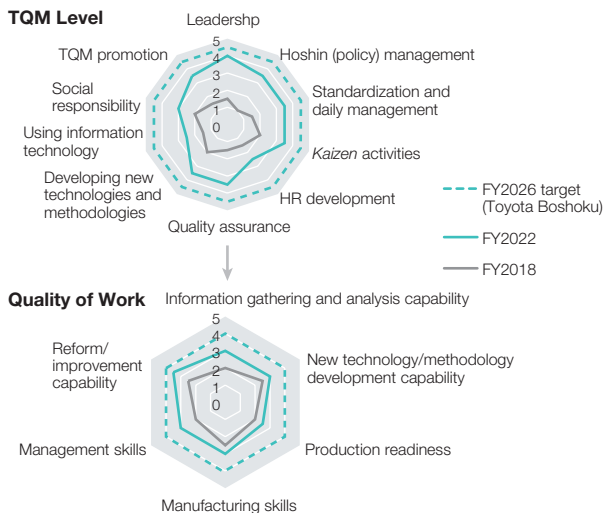
TQM practice at Kariya Plant and Unit Production Engineering Center to the Corporate Operation Unit, the Seat and Interior & Exterior Business Segments (design and production engineering), the Functional Collaboration Reinforcement Unit and the Regional Business Unit (plants).

In fiscal 2023, we will address the following issues that arose as a result of the Deming Prize award: (1) customer orientation and improved PDCA execution; (2) strengthening divisional cooperation; and (3) strengthening the centralization and analysis of hoshin (policy). We will see a shift toward challenging activities in which all company members solve company-wide problems.

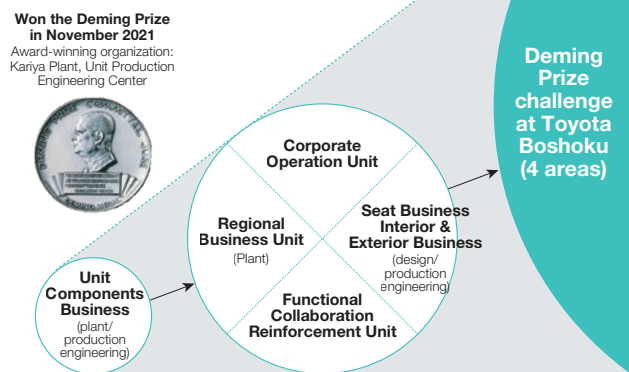
\* An award given as part of the Japan Quality Recognition Award, which is organized by the Union of Japanese Scientists and Engineers. A system for recognizing organizations that have established an effective quality management system based on ISO 9000 and have achieved substantial results.

Promote self-directed TQM through efforts to win the Deming Prize (Kariya Plant, Unit Production Engineering Center)

Became able to systematically carry out TQM-based activities, resulting in improvement in the TQM level and work quality



A shift toward challenging activities in which all company members solve company-wide problems



Initiatives to realize materiality

**Main initiatives**

<b>5</b>	<b>Minimize environmental stress by promoting MONOZUKURI innovation</b>	<b>Materiality No.</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">3</span>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Launched sale of a cushion made from the surface material of discarded automobile seat covers</li> <li>• Created renewable energy from food loss and waste in plant cafeterias</li> </ul>	

In our 2050 Environmental Vision, the Toyota Boshoku group has committed itself to zero CO<sub>2</sub> emissions, minimal use of natural resources, and minimal waste (→ see page 27).

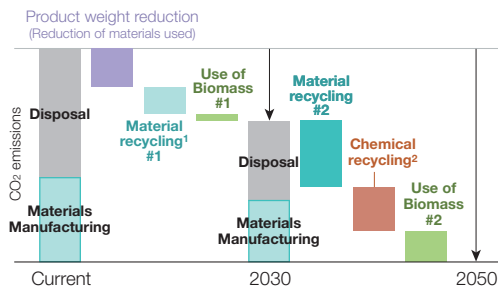
We have started new initiatives, such as creating renewable energy from food loss and waste in plant cafeterias, which is then used in production as well as to charge forklifts and tool batteries, etc. by means of biogas power generation equipment.

In addition, we are promoting the reduction of CO<sub>2</sub> emissions throughout the life cycle. As well as product lightweighting, the use of plant-derived materials (biomass), and the development of technologies for electrified products, we are also working to improve the recyclability of our products, including easy disassembly, recyclable designs, and development of recycling technologies.

We will also continue to reduce the CO<sub>2</sub> emissions from materials used in our products in order to become carbon neutral.

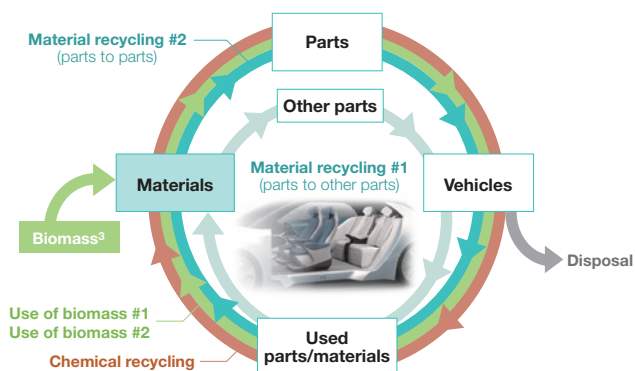
**Measures to reduce CO<sub>2</sub> emissions from product materials**

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



1 Material recycling: Reusing products as raw materials to make new products  
 2 Chemical recycling: Reusing the raw materials of products following their chemical decomposition  
 3 Biomass: A renewable biological resource

**Initiatives for a circular economy**



**Upcycling Initiatives**

The entire Toyota Boshoku group is continuing with our efforts to reduce waste. This involves such initiatives as recycling of scrap material and lumber left over from manufacturing at our plants, as well as re-evaluation of production processes to reduce the amount of waste produced.

Toyota Boshoku-produced automobile seat covers are made using a combination of several different materials, making recycling difficult. Initiatives were already in place at various plants to reduce the amount of waste produced, and in fiscal 2022 a new project was started to upcycle the waste materials into new products. The first step in this project saw us working together with the Chunichi Shimbun in March 2022 to produce and release the Doala Seat Cushion — a seat cushion bearing the likeness of professional baseball team The Chunichi Dragons mascot Doala.

In addition, we are promoting the effective use of waste materials in various other ways, such as by donating waste urethane materials to special-needs schools for use as educational material, and using scrap material and lumber in the production of company commendation awards.



Doala Seat Cushion

# 4

## Establish a resilient global management foundation and develop human resources to support sustainable growth

**Activity targets** Create a system that promotes business management and value creation as the foundation for sustainable growth

### The surrounding environment

- To respond to drastic change in the business environment, we need to build a system that enables rapid and transparent management decision-making, and to develop and optimize human resources globally to support this system

### Related materiality

- 4 Ensuring diversity Workstyle innovation Respect for human rights
- 5 Governance Compliance

### Implementation items / Points

1	Integrate core business information and follow-up using Corporate Performance Management (Core: Sales, Development, Investment, Production, Headcount, Profit)		→ P. 35
2	Expedite decision-making (Accelerate identification of issues and implementation of countermeasures)	Improve efficiency of input resources and maximize returns	→ P. 35
3	Develop global human resources capable of contributing to enhancing corporate value (We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork)		→ P. 63

### Related KPIs and targets

Number of participants in social contribution activities (annual)	ESG KPI	Scope	Toyota Boshoku	2025 target	Total 2,000
Degree of implementation of the Code of Conduct	ESG KPI	Scope	Toyota Boshoku group	2025 target	100%
Health checkup rate	ESG KPI	Scope	Toyota Boshoku	2025 target	100%
Response to human rights risks in the supply chain (development of human rights due diligence)	ESG KPI	Scope	Toyota Boshoku group	2025 target	Expansion ratio 100%
Percentage of employees with disabilities		Scope	Toyota Boshoku	FY2022 result	2.5%
Percentage of female managers		Scope	Toyota Boshoku	FY2022 result	2.4%



### Message from officer responsible for the Action

## Contributing to an increase in company members' vitality, achievement of the mid-term business plan, and enhancement of corporate value by improving our human resource and organizational capabilities



Nobuhisa Nagata  
Chief Human Resource Officer  
Segment Chief, Corporate & Profit  
Management Segment

### Aiming to increase the vitality of company members, achieve the mid-term business plan, and enhance corporate value

In Japan, the working population is rapidly declining due to the low birthrate and aging society. In order for us to continue to achieve sustainable growth in the future as we address the evolution of CASE and MaaS, we are undertaking numerous initiatives globally, including the following: (1) establishing a medium-term headcount plan based on a human resources portfolio\*; (2) shifting resources to new operations by further improving the efficiency of existing operations; (3) developing human resources; (4) improving our recruitment capabilities (both regular and mid-career hires); (5) promoting the competitiveness and success of diverse human resources (diversity and inclusion); (6) fostering a workplace culture that allows each company member to maximize their potential and work with peace of mind; (7) improving job satisfaction and ease of working; (8) establishing a system for listening to the views of even more company members, from the standpoint that the HR Division's customers are the individual company members; (9) fostering a sense of unity among company members and their families, colleagues in the workplace, affiliates, and local communities.

In 2013, the Toyota Boshoku group formulated the TB Way competencies (the type of people we are looking for and job performance standards), based on our philosophy, as our basic approach to developing and appointing human resources. We train and appoint people globally who can demonstrate well-balanced abilities in the four areas of "strategic planning," "execution and accomplishment," "improvement of human resource and organizational capabilities," and "people skills."

In terms of diversity and inclusion, we have been working to enhance measures for life events (childbirth and childcare), which had proved difficult for company members to overcome

in the past (e.g., shorter working hours until the end of 4th grade at elementary school, offering three years of childcare leave, and establishing day nurseries in Sanage and Kariya). Going forward, while improving measures for non-Japanese company members and persons with disabilities, we will work to foster an open workplace culture in which members can freely express their own values and ideas in daily communication between managers and subordinates. Through these initiatives, we will promote the integration of the knowledge possessed by each individual company member, enabling them to work vibrantly and contribute to the achievement of the mid-term business plan and the enhancement of corporate value.

### Creating a human resources portfolio, expanding our operations and creating new businesses

The HR Division needs to work closely with the divisions that formulate management and R&D strategies, create a human resources portfolio in line with our strategic roadmap, and establish mechanisms and systems for appointing, training and allocating the necessary human resources to the right places globally and in a timely manner. To this end, we are implementing Quit, Reduce and Change Activity for company-wide operations, and are working to thoroughly streamline existing operations through the use of AI, RPA, and other technologies.

Moreover, from fiscal 2023 we will launch a program in which members undertake postings to venture companies, other companies, and universities in order to develop innovative human resources (→ see page 63). This will also contribute to our future business expansion and the creation of new businesses.

\* A forecast and analysis of how much and at what time human resources with what capabilities will be needed by a company to achieve its business strategy.

Main initiatives

3	<p>Develop global human resources capable of contributing to enhancing corporate value (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>Materiality No.</p> <div style="border: 1px solid #333; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">4</div>
Results	<ul style="list-style-type: none"> <li>• Built an organization in which managers effectively implement daily management, care for and guide their subordinates</li> <li>• Trained and appointed global executives and future managers</li> <li>• Fostered an open workplace culture in which company members can maximize their potential</li> </ul>	

In order for company members around the world to work with vibrancy and to maximize our achievements as an organization, we are promoting the creation of an organization that nurtures people and a system that makes the most of each individual's skills. In fiscal 2022, we worked on the following three main areas:

**1) Building an organization in which managers effectively implement daily management, care for and guide their subordinates**

We have promoted the optimization and standardization of the entire global organization through the use of span of control guidelines and organizational templates. With regard to optimizing the span of control, by establishing guidelines for the number of subordinates for each position, we have promoted the creation of an organization in which there is effective daily management, care and guidance by managers.

**2) Training and appointing global executives and future managers**

We continue to provide global executive training to nurture future executives, and hold global succession committees for each region for the posts of division general managers at

headquarters, presidents of business entities at affiliates in and outside Japan, and top functional posts (Vice President level) at overseas Regional Management & Collaboration Hubs. We strive to place the right people in the right positions by discussing succession and assignment plans, including the involvement of senior management. (→ See page 80 for details.)

**3) Fostering an open workplace culture for maximizing potential**

From fiscal 2023, we have expanded the scope of 360-degree assessments\* that form part of personnel evaluations to all executives and department general managers, and changed to a system in which the results of these evaluations are utilized in the appointment and assignment of human resources.

Through these initiatives, we will foster an open workplace culture in which company members can maximize their potential and work with peace of mind, and further promote vibrant work style innovation.

\* The implementation of evaluations from multiple perspectives, including the participation as evaluators of colleagues, subordinates, and other divisions involved in the individual's work, as well as their immediate manager.

Enhancing innovative ability

**Launch of Innovative Ability Enhancement Program to nurture people who will seize the challenges of the next 100 years**

Aiming to be a company that is needed by society, we have launched two programs to enhance innovative ability for expanding the Toyota Boshoku group's business fields and creating new businesses.

We will focus on enhancing innovative ability through "Re:act," an event that provides opportunities for spontaneous action, "We:ave," practical education for innovation, and the diffusion of corporate policies that promote human resources development.



Bringing about chemical reactions in Toyota Boshoku through Renewed action



We weave the future of Toyota Boshoku through our adventurous spirit

Initiatives to realize materiality

## Human rights initiatives

In November 2021, we formulated the Toyota Boshoku Group Human Rights Policy with the approval of the Board of Directors. In accordance with the Universal Declaration of Human Rights and other international norms, and with the United Nations Guiding Principles on Business and Human Rights serving as an implementation framework, we are promoting activities to respect human rights.

Additionally, in May 2022 we revised the Toyota Boshoku Group Supplier Sustainability Guidelines. Based on the Toyota Boshoku Group Human Rights Policy, these guidelines are designed to help us build a sustainable supply chain, and stop human rights violations before they can occur. Through self-check sheets completed by our suppliers, we are able to confirm the extent to which human rights guidelines are being adhered to, and how guidelines are being adopted and implemented throughout our supply chain.

### Initiatives to raise company members' awareness

We hold lectures and training sessions on human rights for officers, division general managers and above, as well as presidents of subsidiaries, including those at sites outside Japan, to enable them to understand human rights initiatives as "their own business" and to be able to lead initiatives on their own. In addition, by providing human rights training to promoted and new company members based on our Corporate Philosophy, the TB Way and the Code of Conduct, we are building awareness of human rights as a matter deeply linked with the work of all company members.

### Internal consultation and reporting desk

We have set up the Anything Goes Counselling Window which is also available to group companies in Japan, and a consultation and reporting desk at a law office. This creates an environment in which it is easy to for whistleblowers to consult on issues. We have also established contact points in regions outside Japan, and therefore have a global system in place.

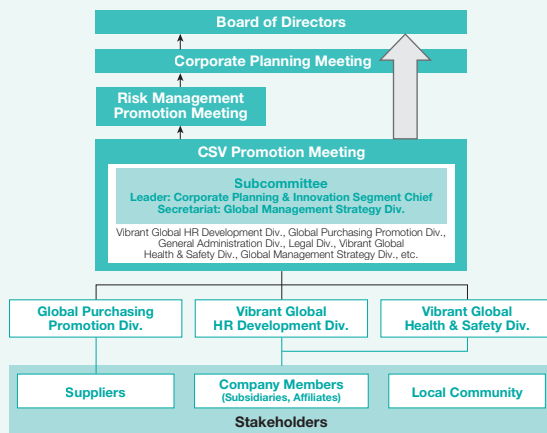
### Human rights due diligence initiatives

The Human Rights Working Group was established in February 2021, and its members are made up of the Secretariat's

Global Management Strategy Division and other related divisions.

Implementation of our human rights due diligence is laid out in the Toyota Boshoku Group Human Rights Policy, and we began carrying out human rights due diligence initiatives in fiscal 2023.

After carrying out our human rights due diligence process, we will set out a plan to address identified risks, and establish a PDCA (Plan, Do, Check, Action) cycle to create a fixed system that works to reduce human rights risks. We will also publicly disclose the risks we have identified. In the future, we will further expand the scope of our human rights due diligence, carefully evaluate the extent to which human rights guidelines are being adhered to throughout our entire value chain, and continue our initiatives aimed at reducing, or otherwise responding to, any negative impacts of human rights issues. These initiatives and plans, as well as their current level of progress, will be discussed at the CSV Promotion Meeting, and reported to the Board of Directors. The Board of Directors will then deliberate, and make decisions on various matters, such as future measures to be taken, and whether or not to continue promotion of a given initiative or plan.



### Human rights due diligence implementation status

**Selection of Relevant Human Rights Issues**

With careful reference to international standards and guidelines, such as the Universal Declaration of Human Rights and the International Labour Organization's (ILO) ILO Declaration on Fundamental Principles and Rights at Work, we have identified the human rights issues characteristic of our industry. From among these various issues, we identified human rights risks relevant to our company's value chain, such as risks related to our company members and our primary suppliers (risks related to equality under the law and elimination of discrimination, procurement practices, etc.).

**Risk Assessment and Impact Identification**

Toyota Boshoku will perform a risk assessment based on the UN Guiding Principles on Business and Human Rights, evaluating severity and probability of occurrence of identified human rights issues. In order to ensure that this reflects actual conditions, we will conduct a survey of current conditions (including group companies outside of Japan) through written forms, as well as through discussion meetings and inquiries. This process of risk assessment will enable us to identify any negative impacts caused by human rights issues.

**Consideration of Mitigation Measures**

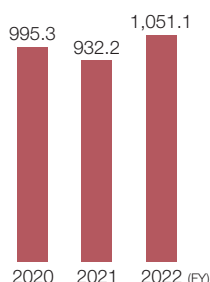
We will carefully consider appropriate measures to deal with issues considered as having particularly large impacts, such as new prevention measures and corrective measures, as well promotion systems, and other actions.

Complete Planned

## Results of FY2022 initiatives

### Seat Business

Revenue (billion yen)



Proposing attractive products that meet our customers' needs and expanding our business, aiming to serve as the "Home" of seats

We aim to be a trusted seat supplier for our customers, developing attractive products incorporating MONOZUKURI innovation while actively making proposals to and having our products adopted not only by Toyota Motor Corporation, but also by strategic OEMs.

#### Initiatives in fiscal 2022

**Aiming to become the "Home" of seats, strengthen our competitive advantage through in-depth benchmarking and sales to other companies**

##### Maximizing seat value

- Respond to the CASE society by developing relax & safety seats
- Create new value and bring products to fruition
- Commence initiatives to become carbon neutral

##### Adopting seats that are suited to their application

- New electrically retractable rear seat for the Lexus NX
- Multi-seat automatic arrangement for walk-in and luggage area enlargement in the Lexus LX
- Seats exclusive to Lexus LX Executive grade
- Ultra-thin one-touch space enlargement seat for Toyota's new Noah and Voxy
- Dedicated seats for the bZ4X, Toyota's first battery electric vehicle (BEV)

##### Achieving the world's leading design, quality and cost competitiveness through in-depth benchmarking

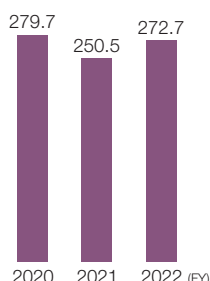
- Develop world-leading, next-generation front seat frame
- Expand business through collaboration with Toyota Group on future technologies
- Promote optimal local production for local consumption and use of local materials

##### Establishing a highly efficient production system

- Introduce a model line incorporating production infrastructure such as IoT and automation
- Consolidate production processes for seat frames and functional products
- Develop evolvable construction methods that can respond to regional characteristics and volume fluctuations

### Interior & Exterior Business

Revenue (billion yen)



Promoting business strategies in order to become an interior system supplier that can surpass competitors

Be entrusted with the planning, design, development, procurement, and production of the entire vehicle interior, and provide high value-added interior space globally. Be consistently competitive and recognized as a global interior system supplier by doing business with a large number of customers.

#### Initiatives in fiscal 2022

**Initiatives to become an interior system supplier**

##### Incorporating new components and expanding our technological domain

- Maintain activities to acquire instrument panel R&D capabilities
- Promote activities to gain recognition as a development supplier while implementing planning and development proposals for noise, vibration and heat shielding

##### Expanding regions served as a system supplier

- Strengthen activities to win orders for new parts from the development stage as a system supplier in North America and Europe

##### Conducting activities to strengthen global competitiveness

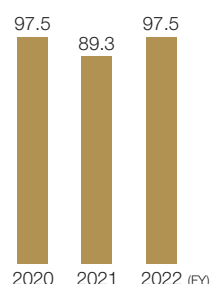
- Develop a product strategy for door trims and promote completely local procurement

##### Expanding sales to strategic OEMs

- Promote activities to win orders for BMW's ceiling business in Europe

### Unit Components Business

Revenue (billion yen)



Utilizing core technologies cultivated in existing businesses, promote operations for the age of electrification and create new value

This business has four main products: filter products, plastic parts for internal combustion engine (ICE), fuel cell (FC)-related products, and e-powertrain-related products. In addition to sales expansion in the existing business of filters and plastic parts for ICE, we will augment the range of motor cores and FC-related products in response to vehicle electrification.

#### Initiatives in fiscal 2022

**Promoting strengthening of competitiveness to deepen and expand sales in existing and new businesses**

##### Existing businesses

##### Filter products

- Develop high-quality filters at an affordable price that match the market and customer needs
- Strengthen the lineup of own-brand filters in the aftermarket

##### Intake system products

- Develop and mass-produce oil mist separator for the Toyota Land Cruiser
- Develop and mass-produce air cleaner for high-dust areas

##### Motor core

- Be awarded motor core for Toyota's new Noah and Voxy and start mass production

##### FC-related products

- Now mass producing separators and ion exchangers for the fuel cell stack of Toyota's new MIRAI

##### Lithium ion batteries

- Aim for quality, performance and productivity on pilot line

##### New businesses

From fiscal 2022, New Business Promotion is included in the Seat Business segment due to a review of management categories. Revenue for fiscal 2020 and fiscal 2021 are also presented in the reclassified categories



## Seat Business

### Toward achieving fiscal 2026 targets

## Formulating product and sales expansion strategies with the aim of achieving 10% of sales outside Toyota Motor Corporation

With the first round of deployment of the new-generation seat frame almost complete, moving forward toward 2030 we are now conducting comprehensive benchmarking against our competitors and their products, developing next-generation frames, devices, etc., and pursuing optimal production using automation, IoT, and AI. Our current challenge is to expand sales to customers other than Toyota Motor Corporation, aiming for this to comprise 10% of seat sales, and we are working on product development proposals that meet customer needs in order to first acquire strategic OEM business. In fiscal 2023, we will ensure that operations are bolstered through business restructuring, and will also strengthen cooperation with Toyota Group companies.

My role is to develop product and sales expansion strategies to win orders from strategic OEMs, and to create an environment in which the business segment can work together to promote these strategies. I will promote the development of a workplace culture that prioritizes safety and health, and strive to create an open workplace.



Hiroki Tsunoda

Operating Officer  
Segment Chief, Seat Business Segment  
BRPLM Operational Excellence Promotion Department

### SWOT Analysis

#### Strengths

- Stable business as a seat supplier
- Cooperation with group companies as a member of the Toyota Group
- Reinforcement of business through restructuring of the Toyota Group's operations
- R&D and production sites located worldwide

#### Weaknesses

- Few customers outside Toyota Motor Corporation
- Materials development
- System control and electronic components development

#### Opportunities

- Enhancement of value-added seats in conjunction with autonomous driving
- Opportunities to collaborate with Toyota Group companies in relation to autonomous driving and electrification
- Initiatives for the SDGs and carbon neutrality
- Systematization of seats

#### Threats

- Changes in customer market shares due to electrification
- Changes in suppliers due to driving automation and electrification
- Changes in ordering methods, such as interior system ordering

### Strategy

Aiming to be the seat supplier of choice for many customers, with world-leading advanced technology, high product competitiveness and a broad product lineup

- **Pursue the possibilities of seats in response to CASE and MaaS, and social issues such as carbon neutrality**  
Provide new value in mobility interior space
- **Develop products to meet customer needs and expectations**  
Provide competitive products to a wide range of customers
- **Strengthen business for strategic OEMs**  
Develop a competitive edge to challenge global mega-suppliers and lead the industry
- **Strengthen business aimed at being "Home" of seats**  
Pursue business efficiency through restructuring with other companies

### Fiscal 2023 Action Plan

- **Implement initiatives to address social issues such as carbon neutrality**
- **Make specific proposals to customers for products that address CASE and MaaS**
- **Optimize the global production structure**
- **Further strengthen ties with other companies**
- **Conduct proposal activities to automakers other than Toyota Motor Corporation**

Interior & Exterior Business

Toward achieving fiscal 2026 targets

Continuing activities to become an interior system supplier while promoting product and sales expansion strategies to accomplish the mid-term business plan

In fiscal 2022, as activities to acquire development capabilities for the entire automobile interior, we launched initiatives to incorporate the development of new components and expand our technology fields, while also expanding our development fields as a system supplier. These initiatives generally progressed as planned. In fiscal 2023, we will continue with these activities while expanding the scope of the work entrusted to us. In addition, to achieve the goals of the mid-term business plan, we will formulate strategies for each product while incorporating the new challenge of carbon neutrality compliance, and establish objectives for orders in our target projects. In terms of improving the competitiveness of existing products, in fiscal 2022 we identified our weaknesses and implemented strengthening activities while carrying out thorough benchmarking against Chinese manufacturers. In fiscal 2023, we will expand our activities to other regions in order to enhance our competitive advantage.



Seiji Teraji  
Operating Officer  
Segment Chief, Interior & Exterior  
Business Segment

SWOT Analysis

Strengths

- A structure and proposal capabilities for total interior coordination
- Production engineering for achieving high quality
- Global supply structure

Weaknesses

- Response capabilities to new customers
- Competitiveness of existing products

Opportunities

- Space planning proposals and provision of products to meet the diversified needs of OEMs and service providers
- Increased importance of vehicle interior NV and heat management along with development of EVs

Threats

- Entry from different industries
- Acceleration in technological innovation
- Competitiveness of local manufacturers in China, etc.

Strategy

Become a true interior system supplier capable of providing everything for the entire interior, from the concept stage

- Continue activities to expand capacity in areas where we have no experience, and promote activities to win orders for components for the entire interior
- Expand sales to strategic OEMs
- Strengthen MONOZUKURI competitiveness
- Strengthen initiatives to become carbon neutral

Fiscal 2023 Action Plan

- Expand the scope of work entrusted to us for interior development, as a development supplier aiming to become an interior system supplier
- Review strategy for each product and establish target projects
- Win orders from BMW for ceilings in Europe and from other strategic OEMs for door trims
- Strengthen competitiveness of core technologies
- Strengthen efforts to become carbon neutral

## Unit Components Business

### Toward achieving fiscal 2026 targets

## Focusing on developing human resources and technology to expand sales of electrified products, and sales of filters to the aftermarket

As a business segment directly involved in the electrification of mobility, which is evolving at a dramatic pace, I feel a keen sense of responsibility for correctly discerning the market trajectory and implementing business with a sense of urgency.

Since fiscal 2022, we have been leveraging our technological capabilities and production experience to raise customer awareness of our electrified product technology and manufacturing. We have achieved a certain level of success, including winning orders, by understanding and realizing the performance requirements of our customers, and we will continue to expand into new areas in the future. The base core technology is critical in the approach to electrification, and filter products have requirements including high-mix production engineering. The development of human resources is the most important factor in achieving these goals, and the entire business segment will work together to promote HITOZUKURI and MONOZUKURI while remaining outward-looking and customer-focused.



Ikutomo Sakai

Segment Chief, Unit Components Business Segment  
Assistant to Center Chief, New Value Creation Center  
Assistant to Field Chief, Research & Development Field

### SWOT Analysis

#### Strengths

- New product development capability and competitive advantage by utilizing our core technologies
- Production engineering capable of realizing high-quality products at an affordable price
- A global production and supply system

#### Weaknesses

- Maximizing utilization of existing production facilities
- Lack of brand recognition/awareness of the production of electric and battery-based products
- Support for high-mix production

#### Opportunities

- Increased demand for electrified products
- Growing need for filters to provide a comfortable vehicle interior space

#### Threats

- Increasing pace of vehicle electrification in the market
- Soaring cost of raw materials such as nylon resin materials
- Entry of new suppliers to the market

### Strategy

Expand electrified product range by utilizing our core technologies, deepen expertise and expand sales of existing products

- **Deepen expertise and expand sales of existing products**
  - Strengthen our filtration expertise and expand applications
  - Secure overwhelming competitiveness through development of plastic parts and production engineering capability
  - Strengthen competitiveness in the aftermarket
- **Expand new businesses**
  - Further strengthen product technologies for electrification and expand applications
  - Further develop in-house mass production technology for lithium-ion batteries (high rate batteries)
- **Strengthen MONOZUKURI competitiveness**

### Fiscal 2023 Action Plan

- **Further strengthen competitiveness and expand sales of existing products**
- **Promote mass production of new business products and win business**
- **Establish a global production system to expand sales to the aftermarket**
- **Realize vibrant work style innovation and develop human resources**

# Topics (Initiatives for new value creation)

## Business incubation

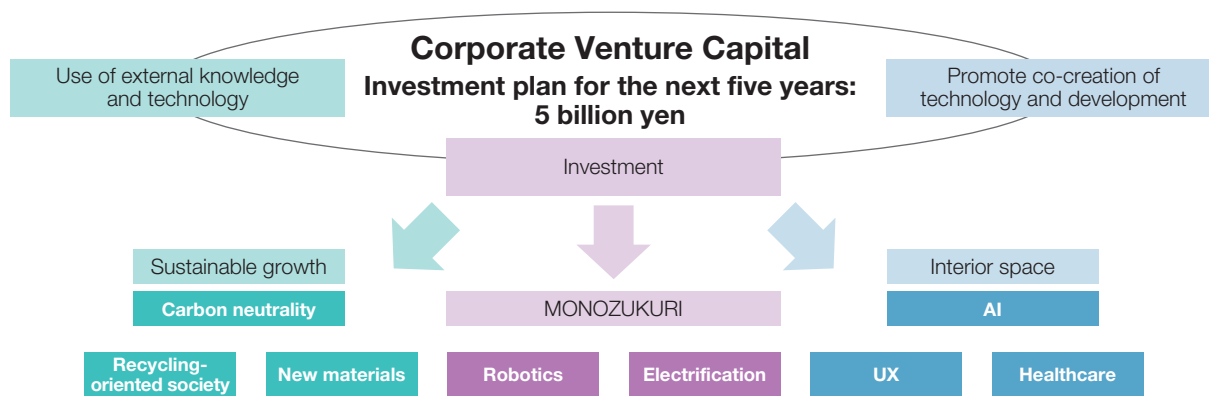
### Investing in promising startup companies in eight high-profile fields

In fiscal 2022, Toyota Boshoku established the Business Incubation Department. The department is engaged in collaboration by way of investment in startup companies, as well as human resource development and internal awareness reform to promote open innovation for creating new value.

When it comes to investing in startup companies, the department's role is to search for potential target companies, execute the investment, and liaise with the target company and other internal divisions. The fields we invest in are diverse, although we primarily target promising startup companies in eight fields linked to carbon neutrality, future interior space

development, and advanced MONOZUKURI etc., actively incorporating outside technology and knowledge.

For example, in May 2022, we invested in Aroma Bit, Inc., which provides innovative solutions by developing and producing odor imaging sensors that enable the visualization of previously invisible aromas and odors, and by compiling databases of this data. Aroma is related to the sense of smell, one of the five human senses, and is one of the key elements of future interior space development. Through collaboration with Aroma Bit, we will create new value for mobility spaces as an Interior Space Creator.



## Tide-generating force

### Aiming for practical application of technology that improves food productivity by incorporating moon's rhythms

With the aim of solving food problems, we are developing technologies to improve food productivity by incorporating the moon's rhythms. To date, we have confirmed an increase in the growth of lettuce and soft-shelled turtles at the laboratory level.

In fiscal 2022, we collaborated with other companies to verify the effectiveness at plant factories, in preparation for practical application of this technique. Future business prospects under consideration include the sale of light control modules, the provision of patent licenses, and food production and sales.

#### Improve food productivity by incorporating the moon's rhythms

⇒ Verification for commercialization: (1) Plant factory: Lettuce (2) Farm: Soft-shelled turtles



For more information, please visit our "Team Breakthrough" website. <https://www.toyota-boshoku.com/global/teambreakthrough/>





# Governance

Establishing a resilient global management foundation

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- 83 Compliance / Risk management

## Governance quick reference table

Form of organizational design	Company with Audit & Supervisory Board
Number of directors (o/w number of outside directors)	9 (4)
Number of Audit & Supervisory Board members (o/w number of outside Audit & Supervisory Board members)	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), (3) Stock compensation (transfer-restricted stock) (see page 78 for details)
Accounting auditor	PricewaterhouseCoopers Arata LLC

## A conversation between outside officers

In the area of governance, which is the foundation for sustainable growth, our outside officers have the wealth of experience and broad knowledge to support us in enhancing our corporate value. We asked outside director Mr. Koyama and outside Audit & Supervisory Board member Mr. Yokoyama to talk about the governance of the Company and their expectations for the future.

### Each individual plays a role, drawing on their own knowledge

**Koyama** ● I am researching Japanese-style management at university, with a focus on corporate governance. Since becoming an outside director in 2018, I have drawn on this knowledge to make recommendations.

**Yokoyama** ● In contrast to Mr. Koyama, I have been involved in the automotive industry for over 40 years. In fulfilling my responsibilities as an outside Audit & Supervisory Board member, I place great importance on the spirit of “audit and improvement.” In the words of the founder of Toyota Motor Corporation, it is important to audit and improve the quality of products and operations. An audit that merely points out what is wrong will not lead to a company’s development. I always try to be aware of “audit and improvement” and state my opinions so that the PDCA cycle functions effectively.

**Koyama** ● That’s what we also talk about in management studies. In particular, it’s said that the most important part of the investment decision-making process is the feedback once it’s finished. In other words, it’s what you just referred to—that audits and subsequent improvements are important.



Akihiro Koyama  
Outside Director

### It’s important to have even more active discussions with outside officers

**Koyama** ● I see that the current members of the Board of Directors come from a variety of backgrounds, so there is great diversity.

**Yokoyama** ● I agree. The outside officers, with their diverse knowledge, are also asking more questions and discussions are

becoming more active too. If I were to suggest an improvement, it would be that the Board of Directors be viewed not only as a forum for approval, but also even more as a forum for discussion.

**Koyama** ● Yes, certainly. That would also make for more beneficial discussions with internal directors, wouldn’t it? Also, plans are being considered to hold informal discussions with company members, which I think is a very good initiative.

**Yokoyama** ● I really hope that’s implemented, as I think it’s fine to ask a person from outside the company for their view, without making a big deal of it. I’ve worked in the B2C (business-to-consumer) sector for a long time, so I think I have a lot to impart to our company members, such as what it means to be aware of the customer’s and end-user’s perspective.

**Koyama** ● I have the impression that more and more high-profile topics, such as ESG and DX strategies, are being raised in the Board of Directors meeting agendas.

**Yokoyama** ● That’s right. We discussed and finalized the ESG KPIs for fiscal 2022, and the other day there was a report on the results.

**Koyama** ● In recent years, ESG KPIs have been used to manage non-financial initiatives, which have come to be seen as important, so I believe this is a topic that the Board of Directors should continue to monitor closely.

**Yokoyama** ● The Toyota Boshoku group’s materiality, which is the premise for the ESG KPIs, was created based on the ideas







Hiroyuki Yokoyama  
Outside Audit & Supervisory Board member

in the Principles of Toyoda, the company belief. Of course it's important to address the demands of society, but I think what's crucial is to value our stakeholders in a broad sense, including the local community.

**Koyama** ● Another agenda item was business incubation, where we discussed investment in startup companies. While business diversification entails risk, I think it's commendable that the company aims to grow while properly managing that risk.

**Yokoyama** ● However, there are still some weaknesses in risk management on the business administration side, such as the management of sites outside Japan.

**Koyama** ● As our business expands even further globally, we need to determine whether Japanese management techniques will work at the local level, and implement them in line with carefully drawn up procedures. As a prerequisite for this, it's important to share things like our founding spirit, and make this part of the corporate culture. It may seem like a roundabout way of doing it, but I think it's ultimately the most effective, and my research has also shown me this.

## Transformational period in the automotive industry, with good prospects for growth

**Yokoyama** ● The automotive industry is now entering a once-in-a-century transformational period. I believe that automobile interiors, where the Toyota Boshoku group excels, is a very promising field for future growth.

**Koyama** ● Companies involved in engines and other power-related areas are being forced to rethink their business model.

**Yokoyama** ● That's right. On that point, interior space is always needed, regardless of changes in the way automobiles are powered. Also, as autonomous driving evolves, drivers will be freed from driving, and so differentiation of the automobile interior space will become a key point of competitive advantage for automobiles.

**Koyama** ● That ties in with the Toyota Boshoku group's desired status for 2030, to be an Interior Space Creator—in other words, the ability to offer a total solution for the interior space.

**Yokoyama** ● I think it's an excellent concept. I'd like all company members to ask themselves fresh questions about the fundamentals of what they value, and push forward to achieve the group's desired status.

**Koyama** ● I agree, and we will also support them in that process.



## 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.

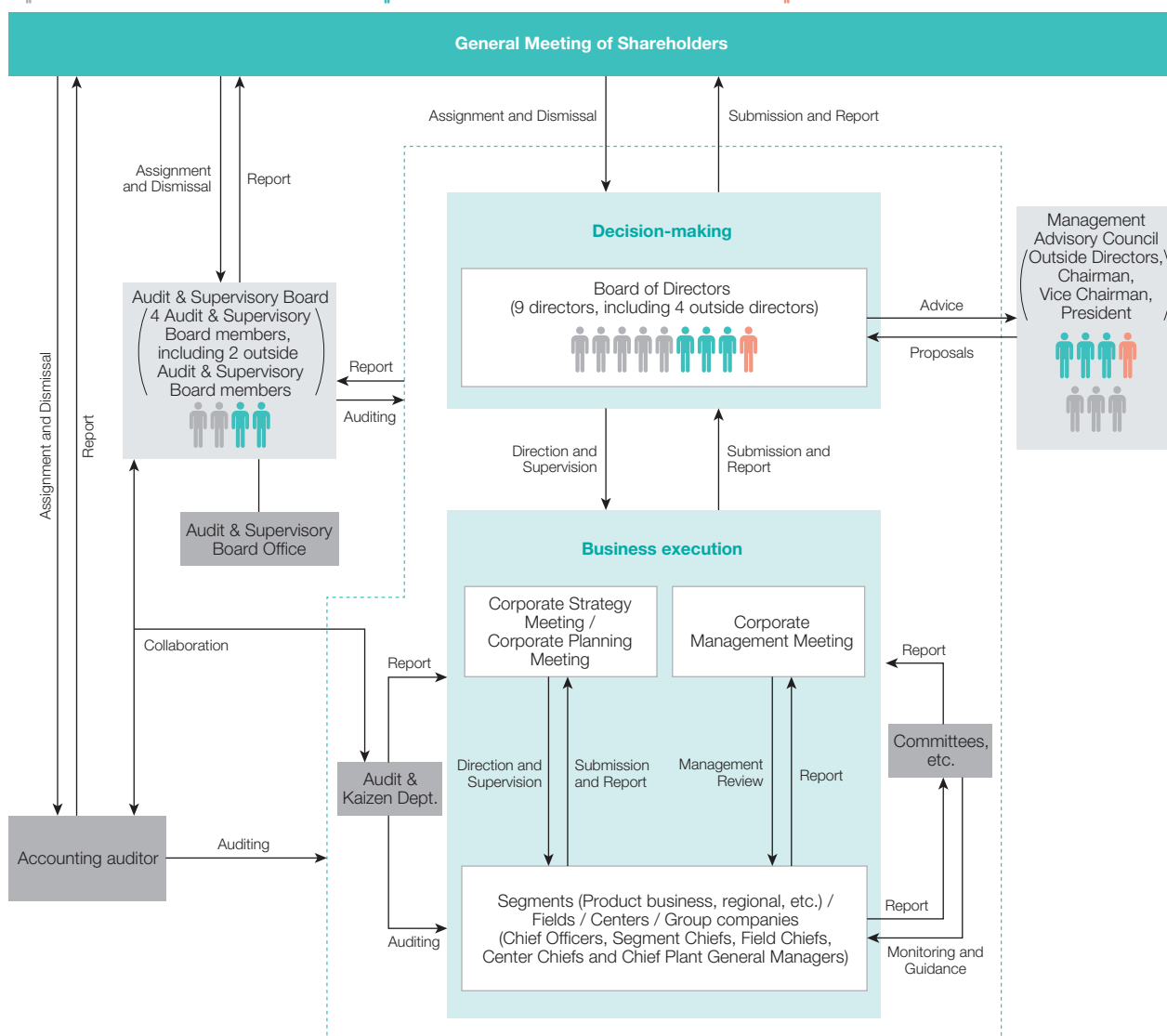
## Response to the Corporate Governance Code

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 14, 2022)

Internal Director/Audit & Supervisory Board Member Outside Director/Audit & Supervisory Board Member (male) Outside Director/Audit & Supervisory Board Member (female)





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## 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.

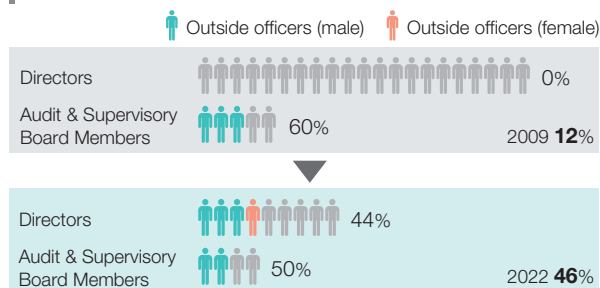
In addition, we have adopted a corporate auditor system, in which a four-person structure that includes two outside Audit & Supervisory Board members audits the management of directors.

Audit & Supervisory Board members audit the business execution of directors, as well as the business and financial condition of subsidiaries in Japan and overseas. 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 a simple organization consisting of four units (Corporate Operation, Product Business, Regional Business and Functional Collaboration Reinforcement) and Plant

Management. We have introduced a Chief Officer System to ensure cross-functional cooperation, and have assigned Segment Chiefs, Field Chiefs, Center Chiefs, and Chief Plant General Managers 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 as well as product business and regional 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, Segment Chiefs, Field Chiefs, Center Chiefs and Chief Plant General Managers, 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
<b>Corporate Strategy Meeting</b>	Deliberation and orientation of important company strategies	As needed
<b>Corporate Planning Meeting</b>	<ul style="list-style-type: none"> <li>● Important management decision-making</li> <li>● Information sharing on important matters</li> <li>● Deliberation and approval of measures to address important business execution issues</li> </ul>	About twice a month
<b>Corporate Management Meeting</b>	<ul style="list-style-type: none"> <li>● Monitoring of the execution of important business operations (predictive management)</li> <li>● Responding to issues quickly and efficiently</li> <li>● Sharing information with all officers</li> </ul>	Once a month

### (1) Board of Directors

**Number of meetings held in FY2022: 12**

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 delegated to the President, Chief Officers, Segment Chiefs, Field Chiefs, Center Chiefs, and Chief Plant General Managers in accordance with the Authorization Policy.

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

**Number of meetings held in FY2022: 13**

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 FY2022: 5**

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.

### Independence

The Management Advisory Council is responsible for both

### Initiatives to strengthen corporate governance

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

## Establishing a resilient global management foundation

nomination and compensation functions, and its members, agenda and activities were resolved by the Board of Directors in December 2018 as the "Management Advisory Council Rules." To incorporate independent perspectives, the Management Advisory Council is composed of four outside directors and three internal directors.

**Authority and role**

As an advisory body to the Board of Directors, the Management Advisory Council deliberates and resolves matters related to the

**Main discussions at the Board of Directors**

<b>General Meeting of Shareholders</b>	<ul style="list-style-type: none"> <li>● Decision on convocation and agenda items</li> <li>● Approval of business reports, financial statements, etc.</li> <li>● Condition of the exercise of voting rights on agenda items at the General Meeting of Shareholders</li> </ul>
<b>Executive officers and organization</b>	<ul style="list-style-type: none"> <li>● Selection of representative director and executive director</li> <li>● Directors' compensation and bonuses</li> </ul>
<b>Business planning, management strategy</b>	<ul style="list-style-type: none"> <li>● Formulation of global hoshin (policy)</li> <li>● Formulation of Business Portfolio Policy</li> <li>● Deliberation on business advancement, alliances, reorganization, etc.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>● Formulation of Sustainability Policy, Human Rights Policy</li> <li>● Establishment of ESG KPIs</li> <li>● Status of initiatives to become carbon neutral</li> <li>● Approach to human rights due diligence</li> <li>● Status of initiatives to prevent occupational accidents</li> <li>● Report on status of response to business risks including COVID-19 and cybersecurity</li> <li>● Status of organizational and human resource development initiatives</li> <li>● Status of quality initiatives</li> <li>● DX promotion strategy</li> <li>● Foundation of internal governance structure relating to intellectual property</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>● Implementation of interim dividend</li> <li>● Report on operational status of basic policy on the development of internal control systems</li> <li>● Approval and report on transactions involving a conflict of interest</li> <li>● Implementation and report on assessments of the effectiveness of the Board of Directors</li> <li>● Examination of stockholdings</li> <li>● Operational status of whistle-blowing system</li> <li>● Items related to property and assets</li> </ul>

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

<b>General management</b>	<ul style="list-style-type: none"> <li>● Company member safety and health management, environmental management initiatives</li> </ul>
<b>Internal control and auditing</b>	<ul style="list-style-type: none"> <li>● Basic policy on the development of internal control systems, etc.</li> <li>● Status of risk management</li> <li>● Status of global internal auditing system</li> <li>● Results of remote audit of subsidiaries outside Japan</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>● Response to COVID-19</li> </ul>

selection and dismissal of management, compensation, etc. from an objective and fair perspective, and provides reports and advice to the Board of Directors.

**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 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.



Tour of Kariya Plant

**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**

- The operational status and response to issues identified in the past are analyzed and reported to the Board of Directors in January.
- The Segment Chief in charge of the administrative office of the Board of Directors conducts a questionnaire of and interviews with all directors and Audit & Supervisory Board members, including outside members, in February.
- 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 2022 evaluation results

- a. Continuous improvements have been made, including the following: the submission of agenda items in line with the annual agenda plan, including ESG-related items such as risk, human rights, and carbon neutrality, and future-oriented DX items; extension of the timescale for explanations made prior to Board of Directors Meetings; and opinion exchange meetings, which were newly planned in fiscal 2022. As a result, it was determined that the effectiveness of the Board of Directors in making important management decisions and supervising business execution has been ensured.
- b. Opinions were expressed about in-depth exploration of future strategy and business strategies, discussions based on clear and easy-to-understand materials, and further increasing the diversity of the Board members.
- c. There was a request for improvement, such as the provision of enhanced information by way of plant visits and participation in internal meetings by outside officers, and the provision of information on recent ESG issues in addition to information about the Company itself.

## (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

Organize the necessary agenda items throughout the year and systematically implement them, enhancing topics related to future strategy and business strategies, as well as topics related to intellectual property, which is an intangible asset that contributes to the enhancement of corporate value.

### b. Enhance support for outside officers

Provide relevant information such as by way of plant visits and participation in important internal meetings and Lectures for Executive Officers, in order to deepen understanding of the Company and stimulate discussion.

### c. Ensure member diversity

Further increase diversity by utilizing the skills matrix, after configuring the required experience and expertise and verifying that the skills matrix items address recent environmental changes.

## 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 employees 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.

## (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 & 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



## Establishing a resilient global management foundation

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.

### Total amount of compensation, etc. for directors and Audit & Supervisory Board members

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)	454 (43)	254 (43)	158 (—)	42 (—)	11 (5)
Audit & Supervisory Board Member (of which outside Audit & Supervisory Board members)	94 (18)	94 (18)	—	—	5 (2)
<b>Total</b> (of which outside officers)	<b>549</b> <b>(61)</b>	<b>348</b> <b>(61)</b>	<b>158</b> <b>(—)</b>	<b>42</b> <b>(—)</b>	<b>16</b> <b>(7)</b>

Note: The above fixed compensation includes two directors and one Audit & Supervisory Board member who retired as of the close of the 96th Ordinary General Meeting of Shareholders held on June 11, 2021.  
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).

### (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.

<b>Applicable recipients</b>	Toyota Boshoku directors (excluding outside directors)
<b>Timing and distribution of allowance</b>	Decided by the Board of Directors
<b>Shares compensation system upper financial limit</b>	Up to 100 million yen per year
<b>Upper limit on shares allowance</b>	Up to a total of 100,000 regular shares per year for applicable board members
<b>Period of restrictions on shares transfer</b>	Until immediately after stepping down as Toyota Boshoku director
<b>Amount paid</b>	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
<b>Conditions for lifting restrictions on shares transfer</b>	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.
<b>Non-compensation acquisitions</b>	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

### Structure of Directors' Compensation

Type of Compensation	Payment Criteria	Structure of Compensation	Category
<b>Fixed Compensation<sup>1</sup> (Monthly compensation)</b>	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
<b>Performance-Linked Compensation<sup>1</sup> (Bonuses)</b>	1) Reflect performance for a single fiscal year in the compensation (bonus) table according to position, based on consolidated operating profit. <sup>2</sup> 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 CSR evaluation score) after three years. <sup>3</sup> [Structure of bonus]	35%	
	100%		
	<b>1) Reflection of single-year results (82%)</b>	<b>2) Medium term (18%)</b>	
<b>Stock compensation (Transfer-restricted stock)</b>	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

<sup>1</sup> 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.

<sup>2</sup> Consolidated operating profit for the fiscal year ended March 31, 2022 was 60.2 billion yen.

<sup>3</sup> Net assets for the fiscal year ended March 31, 2022 were 423.8 billion yen, and the CSR evaluation score was 3.3 points (out of 5.0 points).

## Policy and procedure for nominating candidates for director and Audit & Supervisory Board member

A decision is made at the Board of Directors on the appointment and dismissal of directors and Audit & Supervisory Board members following debate and discussion by the Management Advisory Council.

The policy on appointment to management and nomination of candidates for director takes into account the fields he/she can cover. This also includes a comprehensive examination to ensure the right person is assigned to the right position so that decision-making is fast and accurate.

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.

### 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 2022
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 12/12 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 10/10 meetings <sup>1</sup>
	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 — meetings <sup>2</sup>
	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 — meetings <sup>2</sup>
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 12/12 meetings Audit & Supervisory Board 13/13 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 — meetings <sup>3</sup> Audit & Supervisory Board — meetings <sup>3</sup>

<sup>1</sup> Director Junko Shiokawa was nominated as an outside director at the 96th Ordinary General Meeting of Shareholders, held on June 11, 2021.

<sup>2</sup> Directors Takafumi Seto and Kenichiro Ito were nominated as outside directors at the 97th Ordinary General Meeting of Shareholders, held on June 14, 2022.

<sup>3</sup> 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.

## Establishing a resilient global management foundation

## Support for training the next generation of executive management candidates

Through discussions at the GSCT,<sup>1</sup> a committee comprising members at the Chief Officer level and above, which discusses plans for identifying and developing candidates for executive management, and at the GSC,<sup>2</sup> a committee in which members at the level of Segment Chief, Field Chief and above discuss succession planning for key global posts (such as 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 their background. In addition, we run global executive training programs (GEDP<sup>3</sup> and GLDP<sup>4</sup>) 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 2022, 54 people participated in the GEDP and 80 in the GLDP. In addition, from fiscal 2023, we will expand the scope of the GEDP and GLDP to further focus on developing young executive candidates, with participation by around 16 participants planned in both programs.

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 14, 2022)

Position	Name	Management Advisory Council	Corporate management	Industry knowledge	Governance	Overseas business	R&D	MONOZUKURI (production)	Sales and procurement	Finance and Accounting	Human resources and HITOZUKURI	Legal and compliance	Environment and energy
Chairman	Shuhei Toyota	✓	✓	✓	✓	✓	✓	✓	✓				
Vice Chairman	Naoki Miyazaki	✓	✓	✓	✓	✓				✓	✓	✓	✓
President	Masayoshi Shirayanagi	✓	✓	✓	✓	✓			✓	✓			✓
Director, Operating Officer	Takashi Yamamoto		✓	✓	✓		✓	✓					✓
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	Yasuhiro Fueta			✓	✓	✓		✓		✓	✓	✓	
Outside Audit & Supervisory Board Member	Hiroyuki Yokoyama		✓	✓	✓	✓	✓	✓				✓	
Outside Audit & Supervisory Board Member	Hiroshi Miura		✓		✓	✓				✓		✓	

# Directors, Audit & Supervisory Board Members and Operating Officers

(As of July 1, 2022)

## Directors

9 directors, including 4 outside directors  
Average age: 61 years old



### Shuhei Toyoda

Chairman Term of office as Director:  
18 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)  
June 2018 Outside Audit & Supervisory Board Member, Toyota Tsusho Corporation



### Naoki Miyazaki

Vice Chairman Term of office as Director:  
1 year

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, Toyota Gosei Co., Ltd.  
June 2015 President, Toyota Gosei Co., Ltd.  
June 2020 Chairman, Toyota Gosei Co., Ltd.  
June 2021 Director, Toyota Gosei Co., Ltd. (to present)  
June 2021 Vice Chairman, the Company (to present)  
June 2021 Outside Audit & Supervisory Board Member, Hino Motors, Ltd. (to present)



### Masayoshi Shirayanagi

President New appointment

Chief Executive Officer  
Carbon Neutral Environment Center

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)



### Takashi Yamamoto

Director, Operating Officer Term of office as Director:  
2 years

Chief Technology Officer

Apr. 1982 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))  
Apr. 2014 Managing Officer, TMC  
Jan. 2018 Advisor, the Company  
Apr. 2018 Executive Managing Officer, the Company  
Apr. 2019 Operating Officer, the Company  
Apr. 2020 Vice President, the Company  
June 2020 Executive Vice President, the Company  
Apr. 2021 Director, Operating Officer, the Company (to present)



### Shunichi Iwamori

Director, Operating Officer New appointment

Chief Financial Officer  
Field Chief, Purchasing Field

Apr. 1989 Joined 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)

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



### Akihiro Koyama

Outside Director Term of office as Director:  
4 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)



## Establishing a resilient global management foundation



Junko Shikawa

Outside Director Term of office as Director: 1 year

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)



Takafumi Seto

Outside Director New appointment

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



Kenichiro Ito

Outside Director New appointment

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)

## Audit &amp; Supervisory Board Members

4 Audit & Supervisory Board members, including 2 outside Audit & Supervisory Board members  
Average age: 66 years old



Yasushi Minami

Standing Audit & Supervisory Board Member  
Term of office as Audit & Supervisory Board Member: 2 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)



Yasuhiro Fueta

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

Apr. 1983 Joined Toyota Motor Corporation  
(TMC)  
Jan. 2015 Advisor, the Company  
June 2015 Managing Officer, the Company  
June 2017 Director, Managing Officer,  
the Company  
Apr. 2018 Director, Executive Managing  
Officer, the Company  
Apr. 2019 Director, Operating Officer,  
the Company  
June 2020 Operating Officer, the Company  
June 2021 Standing Audit & Supervisory  
Board Member, the Company  
(to present)



Hiroyuki Yokoyama

Outside Audit & Supervisory Board Member  
Term of office as Audit & Supervisory Board Member: 3 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)



Hiroshi Miura

Outside Audit & Supervisory Board Member  
New appointment

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 EMA 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. (to present)  
July 2021 Representative CPA, Global  
Management Advisory Office  
(to present)  
Aug. 2021 Managing Director, Plante &  
Moran Japan PLLC (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

Hiroshi Ioki

Chief Manufacturing Officer  
Top Plant General Manager

Shoji Adachi

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

Hiroki Tsunoda

Segment Chief,  
Seat Business Segment  
BRPLM Operational  
Excellence Promotion  
Department

Kazuo Koide

Regional Chief Executive  
Officer  
Segment Chief,  
China Region Segment  
President, Toyota Boshoku  
(China) Co., Ltd.

Seiji Teraji

Segment Chief, Interior &  
Exterior Business Segment

Hidenori Ozaki

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

## 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.

## 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, we have contracted with a law office as an external window for consultation and reporting ("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 2022, the Company and its affiliates in Japan received a total of 203 reports and consultations at our internal and external contact points, mainly on labor-related matters, harassment, and workplace issues. These were investigated to find the facts, and then dealt with appropriately

### Number of consultations from Toyota Boshoku and domestic subsidiaries

(FY)	2018	2019	2020	2021	2022
<b>Anything Goes Counselling Window</b> <sup>1</sup> (cases)	134	152	107	163	190
<b>Compliance Consultation Window</b> <sup>2</sup> (cases)	9	8	12	9	13

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

based upon the facts verified. We are also complying with Japan's revised Whistleblower Protection Act of June 2022.

## Strengthening dissemination and practical application of the Code of Conduct

The Toyota Boshoku Group Code of Conduct (→ see page 04 for details)—the basis of compliance—is distributed to all company members, and they are asked to make sure compliance during education and training, including training received upon joining the company, promotion, and overseas transfers. Additionally, we are spreading the Toyota Boshoku Group Code of Conduct globally via translation into foreign languages, including English and Mandarin. We strive to strengthen dissemination and practical application of the Code of Conduct at each and every workplace. We also seek to raise compliance awareness by providing training via e-learning on the topics of compliance, the Code of Conduct and the whistle-blowing system, as well as by undertaking various activities at companies throughout the global Toyota Boshoku group during Corporate Ethics Month.

## Intellectual property management

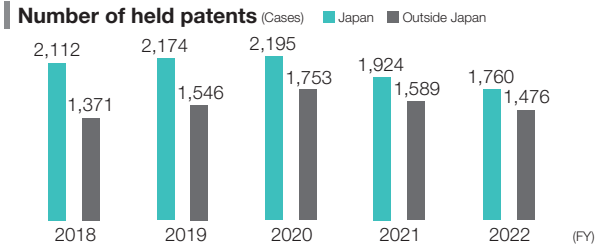
The Toyota Boshoku group regards intellectual property as an important management asset that is indispensable for our global business development, and in order to ensure the freedom and competitive edge of our operations, we promote the creation and discovery of inventions and the filing and acquisition of patents. We also respect the intellectual property of others, and conduct sufficient research to ensure that our product and technology development does not infringe on the intellectual property rights of others. In fiscal 2022, we set a new KPI for the number of patent applications in order to realize the materiality of the Toyota Boshoku group. We will continue to further strengthen investment in intellectual property.

We are also engaged in activities that help to determine the future direction of design development, utilizing IP landscaping<sup>3</sup> and other kinds of patent information analysis. The Toyota Boshoku group will also provide our management personnel with comprehensive analysis results for information on intellectual property, technology, services, markets, and competitors, and will broaden the scope of our activities to optimize the use of this information in our business strategy.

In Japan, to further invigorate IP activities, a committee member in charge of IP is assigned to each technical division, and a system is in place for cooperation in daily discussions and information sharing in relation to IP activities. We will also work to strengthen our system so that we can promote patent application and acquisition activities in collaboration with our R&D bases, mainly in Japan, but also in the Americas, China, Asia & Oceania, and Europe & Africa.

3 Defined in the Intellectual Property Skill Standards published by the Japan Patent Office. Consists of ascertaining trends in individual technologies and patents, and performing in-house analysis, competition analysis, market analysis, etc., integrating intellectual property information and market information.

Establishing a resilient global management foundation



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.<sup>4</sup>

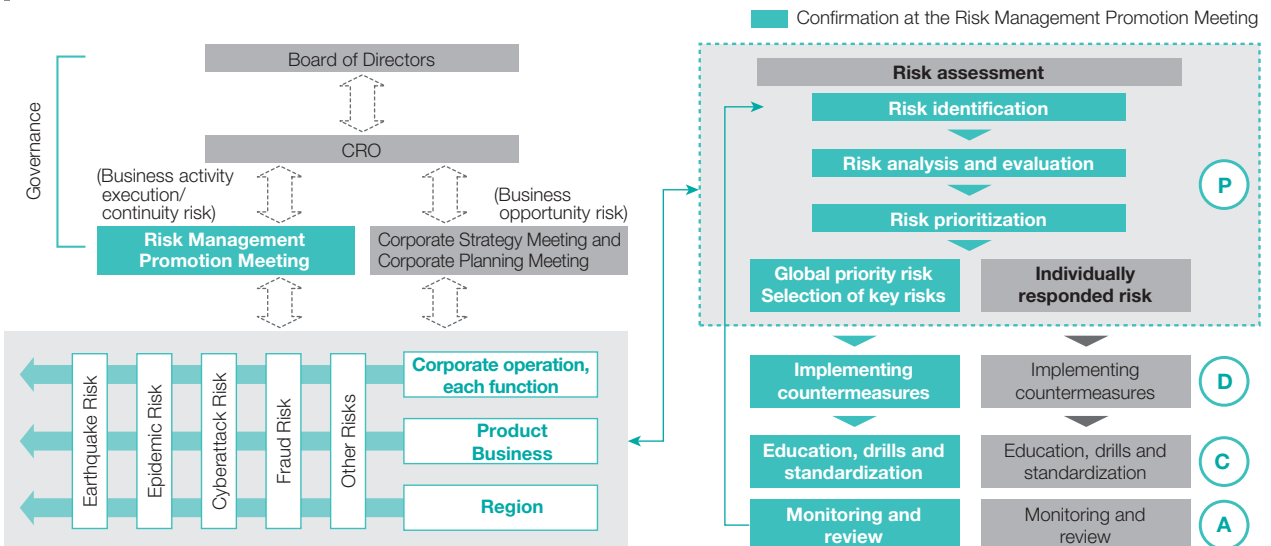
<sup>4</sup> Risk of losing societal trust

Risk management activities

With the introduction of the Chief Officer System in 2021, we have established a global risk management system for the group centered on the Chief Risk Officer (CRO), allowing us to carry out more effective risk management activities.

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.

The risk management system, and associated activities



Initiatives in fiscal 2022

In fiscal 2022, we established the Risk Management Regulations by reviewing the existing regulations in line with our current risk management activities, and clarified the scope of risk management initiatives, roles, and authority, including the following:

- (1) Risk management system and roles
- (2) Risk classification and risk levels
- (3) Establishment of a response system based on the decision-making criteria for crisis response

In addition, in order to realize both cross-organizational and centralized management based on common global standards, we have revised the criteria governing the degree of impact on management when assessing risk. We consider those risks that would hinder the realization of the Toyota Boshoku group’s materiality as the group’s risks, and have set these as the criteria for evaluating the degree of impact.

Furthermore, to strengthen our response to the risk of natural disasters, we have incorporated infectious disease countermeasures into our business continuity plan (BCP), and have developed company regulations from the BCP with the aim of improving its effectiveness. Based on this, we have conducted evacuation drills in a manner that avoids the “Three Cs” of virus transmission, stockpiled masks, operated information tools (including a safety confirmation system), and developed systems for initial response to COVID-19.

## 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.

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 to counter the risk of confidential information leaks.

Additionally, in response to an increase in the number of viruses and targeted phishing in recent years, we carry out training of company members, as well as periodically send imitation phishing emails to improve company members' ability to detect scams.

## 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. Manufacturing foundation  
Aiming to strengthen our manufacturing competitiveness by enhancing and reforming our manufacturing 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.

In order to further accelerate DX initiatives, in April 2021 we built a DX promotion system by establishing the DX & IT Promotion Field. This Field has now 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



# Supplementary Materials

## Materiality / Mid-term business plan

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## Materiality formulation process and approach

From April 2019 to July 2020, we made a company-wide effort to identify important issues and formulated our materiality in six steps (see figure on the right for details).

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

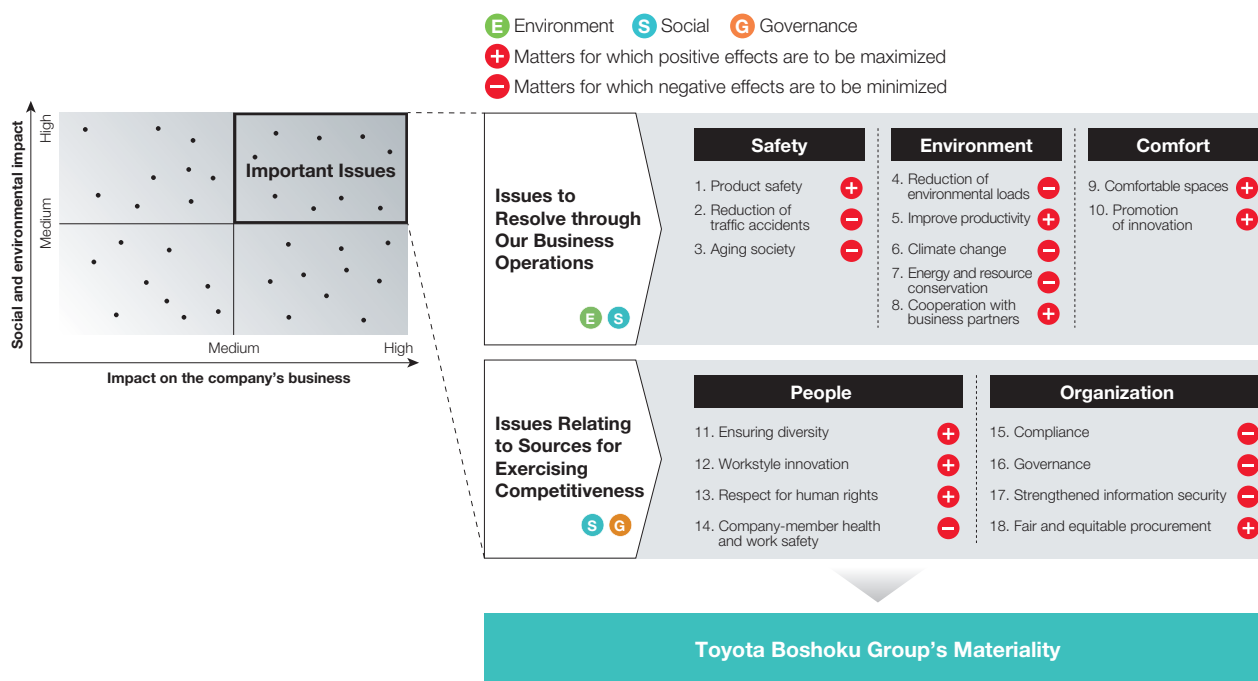
As part of a series of processes, the management team and next-generation leaders, together with the Global Management Strategy Division, the lead division, held a total of

27 consultations, after which the Board of Directors decided on the materiality.

The CSV Promotion Meeting (Chairperson: Corporate Planning & Innovation Segment Chief), which is held twice a year, reports and deliberates on issues and the direction to take in order to enhance corporate value based on the concept of CSV. In fiscal 2022, matters discussed included the penetration of CSV management and materiality internally as well as externally, and initiatives to enhance corporate value aimed at achieving the 2025 Mid-Term Business Plan. Going forward, we will also consider reviewing our materiality itself in response to changes in the environment.

Progress with the ESG KPIs (→ see page 36), which were drawn up in fiscal 2022, is also checked at the CSV Promotion Meeting, and the degree of achievement is followed up along with materiality.

### Plotting of social issues and extraction of important issues



→ P. 31

## Materiality formulation process

	Participants		
	Company Members	External Stakeholders	Directors/ Officers
<b>STEP 0</b> <b>Comprehensive activities for CSR, CSV, ESG, SDGs, etc.</b> <ul style="list-style-type: none"> <li>● <b>Lecture for officers and division general managers</b> In addition to the regular members of the CSR Promotion Meeting (now the CSV Promotion Meeting), officers and relevant division general managers involved in the formulation of the 2025 Mid-Term Business Plan attended the meeting to deepen their understanding of CSV management.</li> <li>● <b>Lecture on SDGs for officers, entity top management, and next-generation leaders</b> Held as part of the "Global Week" program, where officers, entity top management and next-generation leaders of the Toyota Boshoku group gathered to discuss the future of the group and how to realize it, deepening understanding of the SDGs.</li> <li>● <b>SDGs card game and discussions on social issues (41 next-generation leaders from 13 countries participated)</b> A card game format was used to deepen understanding of the SDGs and social issues. Subsequently, discussions were held on social issues surrounding the Toyota Boshoku group as well as management issues, based on important concepts for the company included in our philosophy.</li> </ul>	✓		✓
<b>STEP 1</b> <b>Understanding social issues</b> <ul style="list-style-type: none"> <li>● <b>Clarification of SDGs and other social issues</b> As well as the SDGs, identifying more than 100 social issues by focusing also on social issues in the countries and regions in which the Toyota Boshoku group operates.</li> <li>● <b>Verification of social issues where we are already making contributions</b> Creating a life cycle value chain map of the Toyota Boshoku group's business, and organizing contributions to resolving social issues that have already been implemented from both positive (opportunities) and negative (risks) perspectives.</li> </ul>	✓		
<b>STEP 2</b> <b>Extraction of social issues</b> <ul style="list-style-type: none"> <li>● <b>Verification of social issues to be tackled as the company's philosophy</b> Re-affirming and understanding the meaning embedded in our philosophy, and confirming whether resolution of the social issues identified is consistent with the philosophy.</li> <li>● <b>Verification of social issues that can be resolved by maximizing the company's strengths</b> Confirming whether the issues can be solved by leveraging the Identity of the Toyota Boshoku group: R&amp;D, MONOZUKURI, and HITOZUKURI.</li> <li>● <b>Discussions by the Materiality working group: 10 sessions (17 participants)</b></li> </ul>	✓		
<b>STEP 3</b> <b>Verification of stakeholder expectations</b> <ul style="list-style-type: none"> <li>● <b>Investor interviews:</b> 3 times (7 participants from 3 companies)</li> <li>● <b>Survey of company members:</b> 1 time (covering 260 people)</li> <li>● <b>Verification of management issues:</b> Based on the results of the above interviews and questionnaires, confirm consistency with internal policy.</li> </ul>	✓	✓	✓
<b>STEP 4</b> <b>Plotting of social issues and extraction of important issues</b> <ul style="list-style-type: none"> <li>● <b>Organization of social issues and identification of important issues to prioritize</b> Verification from the perspectives of "social and environmental impact" and "impact on the company's business," and identification of important issues to prioritize</li> <li>● <b>Formulation of five aspects of materiality in alignment with the company's Vision</b> Identifying five materiality issues, organized into two categories: "Issues Relating to Safety, Environment, and Comfort to Resolve through Our Business Operations" and "Issues Relating to the People and Organizations that are Our Sources for Exercising Competitiveness."</li> </ul>	✓		
<b>STEP 5</b> <b>Verification of validity</b> <ul style="list-style-type: none"> <li>● <b>Discussion in a CSV Promotion Meeting</b> In February 2020, an extraordinary CSR Promotion Meeting (now the CSV Promotion Meeting) was held to discuss the composition and wording of (expressions used in) our materiality. In order to deepen company members' understanding of our materiality, it was decided to compile the reasons for selecting this text as "Meaning and Concepts."</li> <li>● <b>Discussions with outside directors and outside Audit &amp; Supervisory Board members</b> Two briefings were held for outside officers (in April and July 2020). Based on the points raised, the positioning of materiality in management was clarified, and the management system was organized as "Management Concept."</li> </ul>	✓		✓
<b>STEP 6</b> <b>Decision on materiality</b> <ul style="list-style-type: none"> <li>● Toyota Boshoku Group's Materiality was finalized at the Board of Directors meeting in July 2020.</li> </ul>			✓
<b>STEP 7</b> <b>Establishment of ESG KPIs</b> <ul style="list-style-type: none"> <li>● We established ESG KPIs-one of several types of non-financial KPIs to measure social value. The goal is to achieve them with a view to realizing our materiality.</li> </ul>	✓		✓

# Past Mid-term Business Plans

2005 **Three-company merger “Period of creating a robust corporate constitution”**

2008 **Second founding “Solidifying our footing and establishing a foundation for growth”**

**Concentrate the technological capacity and collective strengths of all three companies, and realize global manufacturing**

## Mid-Term Business Plan

### Objectives of Merger

- Integrate seating systems and interior systems operations previously pursued independently by the three companies (Toyota Boshoku, Araco, and Takanichi), as well as develop and propose car interiors from a comprehensive perspective
- Make use of the expertise and resources of all three companies to further accelerate overseas expansion

#### [Vision] Aim to be a world-class interior system supplier and filter manufacturer

- (1) Offer comfortable and pleasant interior spaces
- (2) Offer world-class automotive filters
- (3) Build a global supply system

### Elements of our strategy

- Proactively implement policies to strengthen our capabilities, in terms of both “initiatives to solidify our footing” and “priority initiatives for future corporate growth”, as well as aim to become a truly global company that can operate and flourish in regions around the world
- Strengthen our technological capacity (development, production, manufacturing), product capacity, systems for sharing, and profitability on a global scale

### Main Achievements & Remaining Issues

#### ■ Achievements

- Introduction of the One Hub per Region structure
- Development of new technology and beginning of production as an automotive interior system supplier
- Strengthening of our filter and powertrain components development and evaluation systems, thanks to completion of construction of the Kariya Development Center
- Re-evaluation and reorganization of our Japanese production systems
- Building of a production system to follow Toyota Motor Corporation’s overseas expansion

#### ■ Issues

- Systematically engendering a sense of unity throughout the entire company
- Strengthening our business capacity as an interior system supplier (solidifying our business footing, implementing advanced measures focused on corporate growth, etc.)

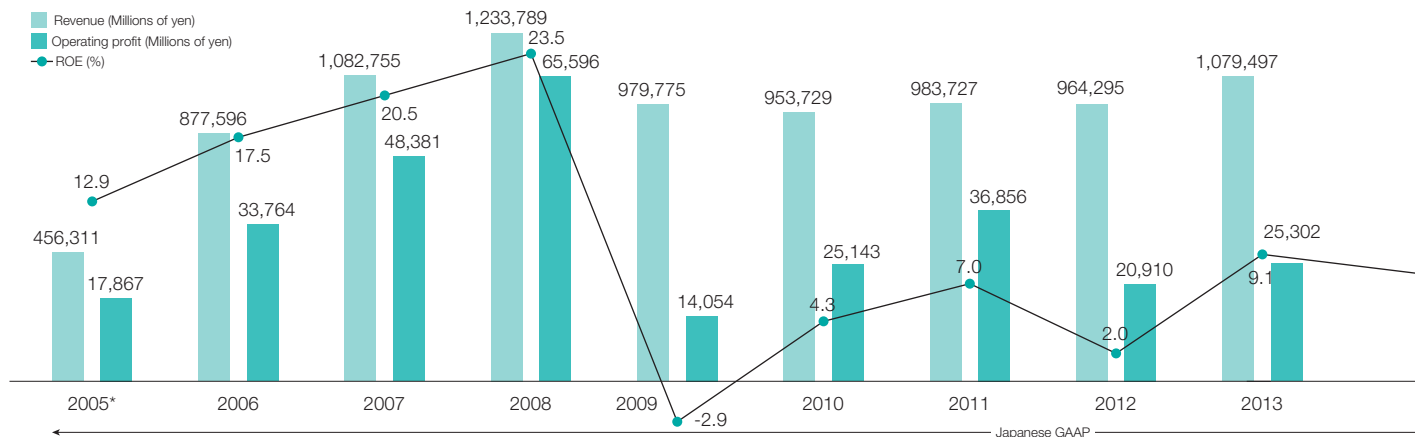
#### ■ Achievements

- Establishment of a global management system
- Creation of a development system that is consistent and integrated, from fundamental research all the way to cutting-edge technology, thanks to the establishment of the Research Laboratories (now called the New Value Creation Center), as well as completion of construction of the No.2 Building of the Sanage Technical Center
- Development of lightweight seating frames that enable CO<sub>2</sub> emissions reduction and products made using plant-derived materials
- Establishment of the Global Learning Center, and opening of the Toyota Boshoku Technical Skills Academy, in order to help our company members develop their skills, and train them to be able to flourish on a global scale
- Continuously bringing new production sites into operation at various location around the world

#### ■ Issues

- Reduction of profit as a result of shrinking operations after the 2008 global financial crisis
- Response to changes in the automotive market (shifting trends from larger to smaller-size vehicles, etc.)

### Revenue / Operating Profit / Change in ROE



\* values for the first half of fiscal 2005 (April 1 to September 30, 2004) from pre-merger Toyota Boshoku. Values for the second half of the year (October 1, 2004 to March 31, 2005) from post-merger Toyota Boshoku.



2012 “Period of structural reform for a quantum leap forward”

2017 “Aiming for sustainable growth”

2021

2015 Mid-Term Management Plan

2020 Business Plan

- Pursue cutting-edge technology, in order to expand business fields
- Accelerate global business expansion centered on emerging countries
- Expand our business with a wide range of customers through business reforms and organizational restructuring
- Thoroughly implement lean, highly-efficient, and high-value added business in Japan

- Perform action to achieve corporate growth while fulfilling our responsibility in harmony with society, strengthen management foundation, strengthen competitiveness, offer multi-dimensional value, and expand business fields
- Establish a corporate structure capable of securing an operating profit ratio of 5% or higher
- Focus on the development of new products and technology that anticipate the mobility environment of 2030
- Pay particular attention to environmental actions

■ Achievements

- Making use of precise high-speed press technology to introduce HEV and FCV-focused products onto the market
- Expansion of business into emerging nations
- Creation and maintaining of foundation for new customer business
- Expansion into new fields, such as specialized racing car seats, railroad carriages, and aircraft

■ Issues

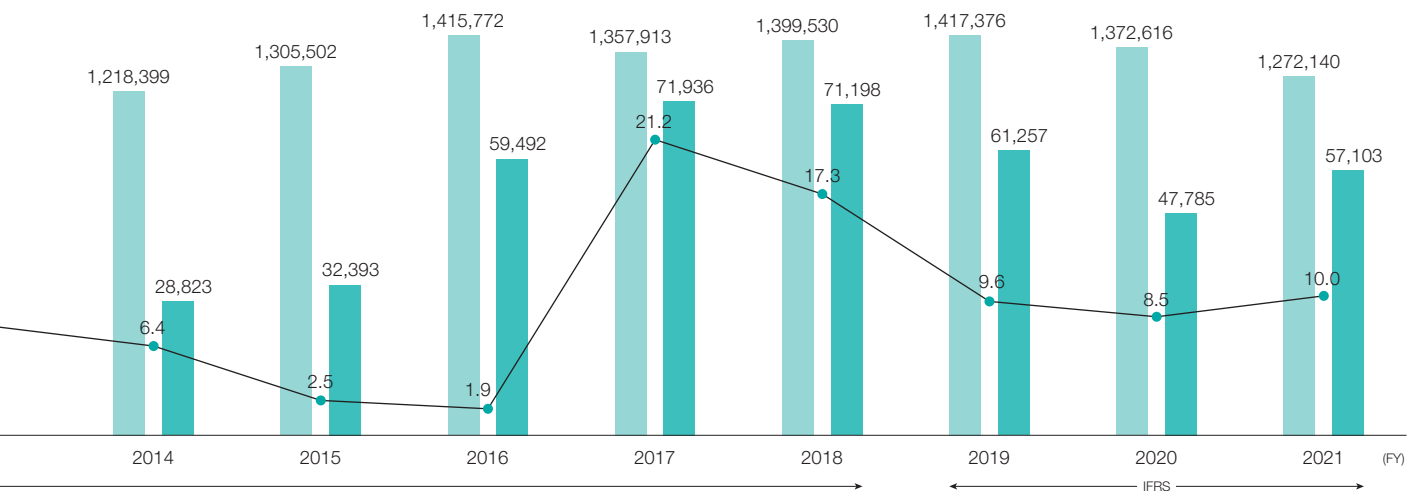
- Creating operations that can respond to sudden expansion of our business
- Worsening of profits due to disorganization resulting from new product being launched by our pre-existing business

■ Achievements

- Strengthening competitiveness and management foundation, and steadily strengthening earning power
- Creation of the Business Management Structure, and maintaining a target management structure that is consistent and integrated, from individual sites all the way up to the management level
- Creation of a stable, resilient BCP that can appropriately respond to unforeseen circumstances
- Acceleration of cooperation and coordination between various divisions in relation to design, production engineering, and quality, thanks to completion of construction of the MONOZUKURI Innovation Center. Optimization of production and manufacturing preparations, thanks to use of digital technology.
- Strengthening advanced development to envision and prepare for 2030, including cooperation with the Toyota Group (MX191)

■ Issues

- Maintaining our management information infrastructure
- Further promoting vibrant work style innovation



# 10-Year Summary

FY Years ended March 31	Japanese GAAP		
	2013	2014	2015
Revenue	1,079,497	1,218,399	1,305,502
Operating profit	25,302	28,823	32,393
Profit attributable to owners of the parent	15,792	12,610	5,204
Total assets	583,955	659,008	719,680
Capital stock	8,400	8,400	8,400
Total equity	220,740	249,082	264,038
Capital expenditures	36,805	51,116	50,190
Depreciation	32,744	36,302	40,121
R&D expenses	36,321	40,189	38,821
<b>Per Share Data (Yen)</b>			
Basic earnings	85.23	68.05	28.08
Diluted earnings*	—	—	—
Cash dividends	18.00	18.00	18.00
Dividend payout ratio (consolidated) (%)	21.1	26.5	64.1
Equity attributable to owners of the parent	1,010.49	1,115.69	1,164.36
<b>Cash Flow (Millions of yen)</b>			
Net cash provided by operating activities	44,474	49,590	65,536
Net cash provided by (used in) investing activities	5,826	(51,867)	(51,615)
Net cash provided by (used in) financing activities	(41,942)	(5,636)	516
Cash and cash equivalents	129,323	126,648	143,493
<b>Financial Indicators (%)</b>			
Ratio of operating profit to revenue	2.3	2.4	2.5
ROE: Ratio of profit to equity attributable to owners of the parent	9.1	6.4	2.5
Ratio of equity attributable to owners of the parent	32.1	31.4	30.0
Price earnings ratio (PER)	15.5	15.3	53.6
<b>Shareholders' Equity (at fiscal year-end)</b>			
Number of shares issued (Thousands)	187,665	187,665	187,665
Number of shareholders	21,239	22,191	16,746
Stock price (yen)	1,320	1,043	1,504
Number of employees (excluding temporary employees)	32,986	38,198	41,509
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	296,594	312,348	311,975
Amount of waste (t)	22,203	22,661	21,990
Water consumption (thousand m <sup>3</sup> )	4,438	4,303	4,352
Percentage of local employees holding executives (officer, manager) positions at overseas business sites	—	—	—
Number of women at management positions (Toyota Boshoku)	—	—	—
Number of female group manager level (Toyota Boshoku)	—	—	—
Number of patents held (Japan)	—	—	—
Number of patents held (outside Japan)	—	—	—

\* With regard to diluted earnings per share [diluted net income per share of common stock] in fiscal 2013, 2014, 2015, 2018, 2019, 2020, and 2021, there were no latent shares with dilutive effects.

			IFRS				Millions of yen
2016	2017	2018	2019	2020	2021	2022	
1,415,772	1,357,913	1,399,530	1,417,376	1,372,616	1,272,140	1,421,451	
59,492	71,936	71,198	61,257	47,785	57,103	60,290	
3,900	45,359	42,762	27,457	24,786	31,188	39,260	
725,895	691,921	744,558	793,599	780,714	845,778	964,740	
8,400	8,400	8,400	8,400	8,400	8,400	8,400	
243,146	276,274	308,620	329,329	321,701	369,650	423,835	
36,898	35,500	52,095	61,341	58,715	46,731	38,326	
41,012	36,228	34,755	35,153	37,575	38,194	40,386	
38,450	37,884	47,393	46,965	45,902	41,831	44,845	
21.02	244.28	230.27	147.85	132.88	166.93	210.15	
21.02	244.27	–	–	–	–	210.13	
30.00	50.00	54.00	56.00	54.00	45.00	64.00	
142.7	20.5	23.5	37.9	40.6	27.0	30.5	
1,065.72	1,240.77	1,414.91	1,573.44	1,557.93	1,792.56	2,066.53	
78,912	95,389	86,117	60,720	79,673	74,483	122,933	
(48,086)	(48,927)	(51,707)	(58,915)	(54,175)	(51,392)	(40,893)	
(8,739)	(61,347)	(3,528)	(19,526)	(13,964)	2,756	(48,664)	
160,904	144,889	178,372	158,192	163,377	195,180	237,952	
4.2	5.3	5.1	4.3	3.5	4.5	4.2	
1.9	21.2	17.3	9.6	8.5	10.0	10.9	
27.3	33.3	35.3	36.8	37.3	39.6	40.0	
87.3	10.6	9.5	11.3	9.7	11.0	9.5	
187,665	187,665	187,665	187,665	187,665	187,665	187,665	
14,517	12,226	13,287	14,066	14,715	16,177	15,959	
1,834	2,583	2,184	1,675	1,287	1,830	2,002	
41,624	41,428	41,409	43,103	44,375	44,154	44,264	
310,465	324,528	330,235	322,977	318,431	304,455	307,218	
23,464	23,727	24,018	24,925	25,458	23,087	23,217	
4,271	4,143	4,321	3,994	3,731	3,590	3,266	
–	–	14	19	23	25	21	
–	–	17	20	23	24	29	
–	–	53	51	55	57	65	
–	1,941	2,112	2,174	2,195	1,924	1,760	
–	1,207	1,371	1,546	1,753	1,589	1,476	

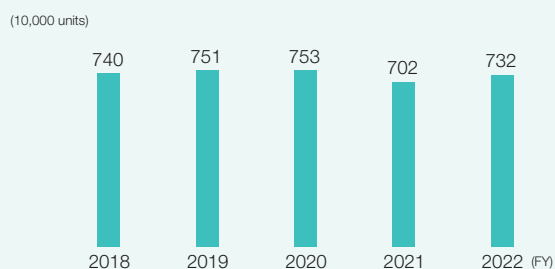
## The business environment

After a brief upturn, the global economy is experiencing a sharp slowdown against a backdrop of the continued spread of coronavirus infections caused by the emergence of new variants, and is seeing persistent inflation, including higher prices resulting from supply chain disruptions. The automotive industry is also expected to face increasingly difficult conditions, having been significantly affected by a decline in production volumes caused by shortages of components such as semiconductors due to coronavirus and other factors, as well as soaring raw material and logistics costs. There are also growing calls for companies to seek solutions to social issues, including addressing climate change at a global level, respecting human rights, and ensuring diversity.

## Overview of fiscal 2022

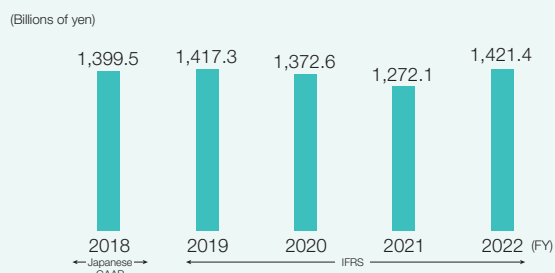
### Seat production volume

The Toyota Boshoku group's total seat production volume on a consolidated basis increased 300,000 units from fiscal 2021 to 7.32 million units. By geographic region, seat production volume in Japan decreased 160,000 units to 2.73 million units. In The Americas, total seat production volume increased 130,000 units to 1.22 million units. In China, seat production fell 30,000 units to 1.49 million units. In Asia & Oceania, seat production increased 300,000 units to 1.09 million units. In Europe & Africa, seat production increased 70,000 units to 780,000 units.



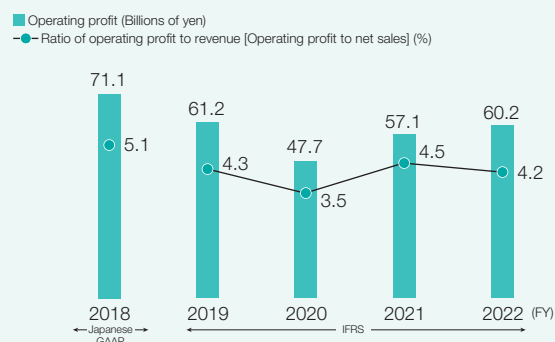
### Revenue

Consolidated revenue increased by 149.3 billion yen compared with fiscal 2021 to 1,421.4 billion yen (11.7%), due to factors including a post-COVID-19 recovery in demand globally.



### Profit

Consolidated operating profit increased by 3.1 billion yen (5.6%) to 60.2 billion yen, and profit before income taxes increased by 7.1 billion yen (12.5%) to 64.5 billion yen compared with fiscal 2021 due mainly to a boost from new products, despite soaring raw material costs. Profit attributable to owners of the parent increased by 8 billion yen (25.9%) to 39.2 billion yen compared to fiscal 2021.



### Revenue and operating profit by geographic region

Effective from the fiscal 2022 consolidated accounting period, the China region, which was previously included within Asia & Oceania, is now listed separately as China due to a review of performance management categories in the Group. As a result, the four reporting segments of Japan, The Americas, Asia & Oceania, and Europe & Africa have been changed to the five segments of Japan, The Americas, China, Asia & Oceania, and Europe & Africa.

#### -Japan

Despite production cutbacks resulting from component supply issues and other factors, revenue increased by 1.0 billion yen (0.1%) from fiscal 2021 to 700.6 billion yen, due to a boost from new products associated with model changes. Operating profit decreased by 4.4 billion yen (-31.7%) from fiscal 2021 to 9.6 billion yen due to the impact of production cutbacks and increased overhead costs.

#### -The Americas

Revenue increased by 71.7 billion yen (29.2%) from fiscal 2021 to 317.7 billion yen, mainly due to an increase in production volumes resulting from a recovery in demand. Operating profit increased by 1.5 billion yen (105.0%) from fiscal 2021 to 2.9 billion yen, mainly due to the effects of increased production associated with model changes.

#### -China

Revenue increased by 31.7 billion yen (17.6%) from fiscal 2021 to 212.1 billion yen due to foreign exchange effects, despite the impact of production cutbacks. Operating profit decreased by 2.6 billion yen (-14.5%) from fiscal 2021 to 15.7 billion yen due to factors including the impact of production cutbacks and increased overhead costs.

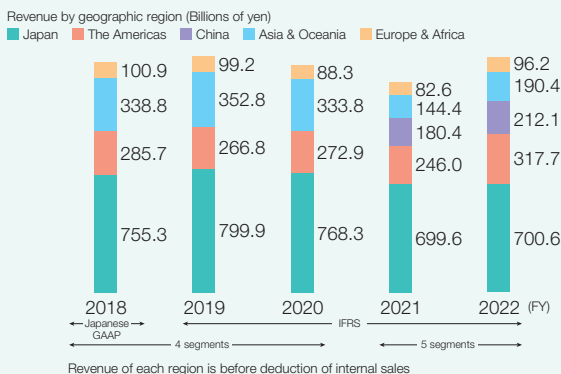


### -Asia & Oceania

Revenue increased by 45.9 billion yen (31.8%) from fiscal 2021 to 190.4 billion yen, mainly due to an increase in production volumes resulting from a recovery in demand. Operating profit increased by 9.5 billion yen (55.9%) from fiscal 2021 to 26.7 billion yen, mainly due to the effects of increased production.

### -Europe & Africa

Revenue increased by 13.6 billion yen (16.5%) from fiscal 2021 to 96.2 billion yen, mainly due to an increase in production volumes resulting from a recovery in demand. Operating profit decreased by 0.7 billion yen (-12.0%) from fiscal 2021 to 5.3 billion yen due to higher overhead costs, despite the effects of increased production.



### Summary of financial position

Assets at the end of fiscal 2022 totaled 964.7 billion yen, an increase of 118.9 billion yen compared to the end of fiscal 2021, mainly due to an increase in cash and cash equivalents and trade receivables.

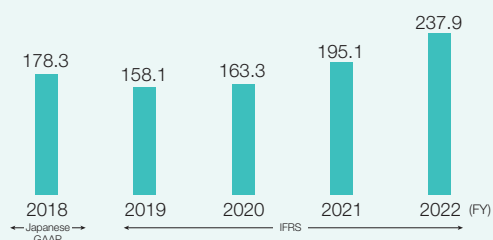
Meanwhile, liabilities increased by 64.7 billion yen compared to the end of fiscal 2021, to 540.9 billion yen. This was mainly due to an increase in trade payables.

Equity increased by 54.1 billion yen compared to the end of fiscal 2021, to 423.8 billion yen. This was mainly due to the recording of net profit attributable to owners of the parent.

### Cash flow

Cash and cash equivalents at the end of fiscal 2022 on a consolidated basis increased 42.7 billion yen (21.9%) from the end of fiscal 2021 to 237.9 billion yen.

Cash and cash equivalents at end of period (Billions of yen)



### -Net cash provided by operating activities

Net cash provided by operating activities amounted to 122.9 billion yen. This was mainly due to such cash-increasing factors as profit before income taxes of 64.5 billion yen and depreciation and amortization of 42.5 billion yen.

### -Net cash used in investing activities

Net cash used in investing activities amounted to 40.8 billion yen. This was mainly due to such cash-decreasing factors as expenditures of 34.2 billion yen for the purchase of property, plant and equipment.

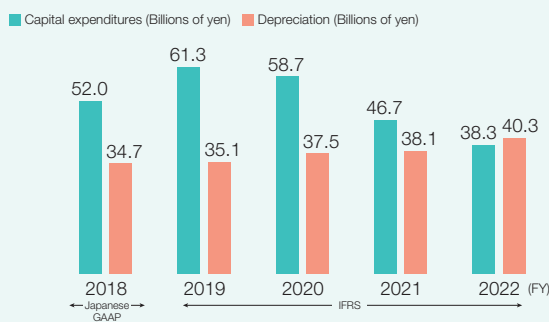
### -Net cash used in financing activities

Net cash used in financing activities amounted to 48.6 billion yen. This was mainly due to such cash-decreasing factors as repayment of lease liabilities totaling 24.1 billion yen and dividends paid of 12.5 billion yen.

### Overview of capital expenditures

In fiscal 2022, total capital expenditures amounted to 38.3 billion yen. These investments were concentrated on measures for new products as well as rationalizing and upgrading production facilities. These consisted mainly of capital expenditures in Japan and China.

Capital expenditures in Japan amounted to 19.2 billion yen, and were mainly for measures for new products, rationalizing and upgrading production facilities, and establishing new information systems. Capital expenditures in The Americas amounted to 3.6 billion yen, and were mainly for measures for new products, and rationalizing and upgrading production facilities. Capital expenditures in China amounted to 7.3 billion yen, mainly for measures for new products, and rationalizing and upgrading production facilities. Capital expenditures in Asia & Oceania amounted to 5.5 billion yen, and were mainly for measures for new products, and rationalizing and upgrading production facilities. Capital expenditures in Europe & Africa amounted to 2.4 billion yen, and were mainly for measures for new products, and rationalizing and upgrading production facilities.



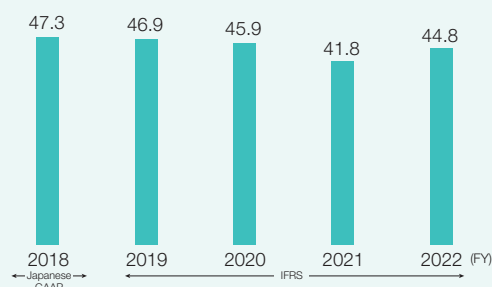
## Basic policy of R&D activities

The Toyota Boshoku group works to develop appealing, high-quality products that meet the expectations of all customers throughout the world by leveraging the Company's own unique technologies and structures in accordance with the basic concept of "developing products that earn the trust of and satisfy customers."

The Toyota Boshoku group anticipates the ongoing sophistication and diversification of customer needs, and strives to develop appealing technologies and products unrivaled by our competitors while further enhancing our core technologies. Additionally, we are building an optimal development system across the entire group that is focused on global markets through Regional Management & Collaboration Hubs (RM&CH) that carry out product development based on the needs of each respective region. Furthermore, we will continue to strengthen our competitiveness by carrying out thoroughgoing activities to realize high-quality products at reasonable prices to ensure we can respond to the rapid expansion of emerging country markets.

In fiscal 2022, R&D expenses, including development expenses recorded under intangible assets, amounted to 44.8 billion yen.

R&D expenses (Billions of yen)



## Outlook for fiscal 2023

The outlook for the global economy in fiscal 2023 is expected to remain uncertain due to factors including the spread of COVID-19 infections, global inflation, and instability in world affairs, including in Europe. In terms of the Company's business environment, while demand is expected to recover on a global basis, the situation is likely to remain unpredictable due to concerns surrounding the risk of production cutbacks resulting from component shortages, and soaring raw material and transportation costs.

Under these circumstances, we forecast growth in consolidated revenue to 1.57 trillion yen in fiscal 2023 (up 10.5% from fiscal 2022), mainly due to a recovery in global demand, despite the risk of production cutbacks resulting from the prolonged spread of COVID-19 and component supply issues.

We expect operating profit to increase to 61.0 billion yen (up 1.2% from fiscal 2022) due to the effects of increased production and a boost from new products as a result of cost planning activities, despite investment for future growth as well as high raw material and transportation costs, which are factors that reduced profit. Net profit attributable to owners of the parent is expected to be 40.0 billion yen (up 1.9% from fiscal 2022).

## Fiscal 2023 consolidated earnings forecast

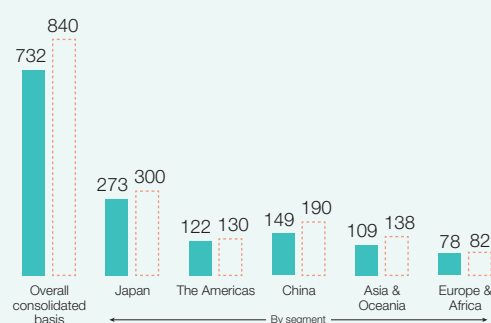
	FY2022 results	FY2023 forecast
Revenue	1,421.4 billion yen	1,570 billion yen
Operating profit	60.2 billion yen	61 billion yen
Profit attributable to owners of the parent	39.2 billion yen	40 billion yen
Seat production volume	7.32 million units	8.4 million units
Basic earnings per share	210.15 yen	214.09 yen
Cash dividends per share	64.00 yen	70.00 yen
Exchange rates	US dollar	112 yen
	Euro	131 yen
		140 yen

\* Announced on July 29, 2022

## Seat production volume

On an overall consolidated basis, we forecast that seat production volume will increase by 1.08 million units from fiscal 2022 to 8.40 million units. By geographic region, in Japan, we forecast that seat production volume will increase 270,000 units from fiscal 2022 to 3.0 million units. In The Americas, production is expected to increase 80,000 units from fiscal 2022 to 1.30 million units. In China, production is expected to increase 410,000 units from fiscal 2022 to 1.90 million units. In Asia & Oceania, we forecast that seat production volume will

(10,000 units) ■ Fiscal 2022 results □ Fiscal 2023 forecast

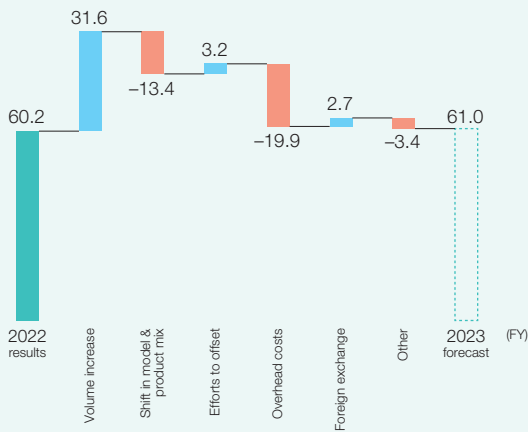


increase 290,000 units from fiscal 2022 to 1.38 million units. In Europe & Africa, we forecast that production will increase 40,000 units from fiscal 2022 to 820,000 units.

**Factors underlying changes in operating profit**

We expect operating profit to increase by 0.7 billion yen from fiscal 2022 to 61.0 billion yen due to factors including the effects of increased production and a boost from new products as a result of cost planning activities, despite the impact of high raw material and transportation costs, and increased overhead costs, etc., which are factors that reduce profit.

Fiscal 2022 earnings forecast: Factors underlying changes in operating profit (Billions of yen)



**Forecast of results by geographic region**

**-Japan**

Revenue is expected to be 700.0 billion yen, a decrease of 0.6 billion yen from fiscal 2022. Operating profit is forecast to be 5.0 billion yen, a decrease of 4.6 billion yen from fiscal 2022, due to the negative impact of soaring raw material prices, changes in the model mix, and increased overhead costs, etc., despite the positive effect of factors including increased production and a boost from new products.

**-The Americas**

Revenue is expected to be 370.0 billion yen, an increase of 52.2 billion yen from fiscal 2022. Operating profit is forecast to be 1.0 billion yen, a decrease of 1.9 billion yen from fiscal 2022, due to the negative impact of soaring raw material and transportation costs, and increased overhead costs, etc., despite the positive effect of factors including increased production.

**-China**

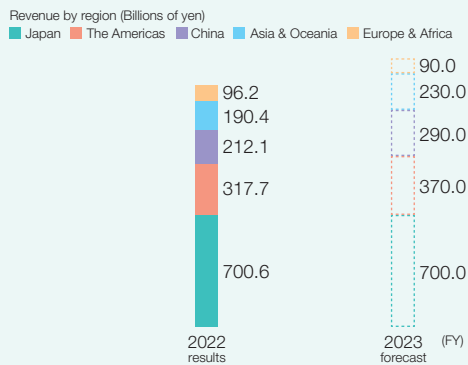
Revenue is expected to be 290.0 billion yen, an increase of 77.8 billion yen from fiscal 2022. Operating profit is forecast to be 27.0 billion yen, an increase of 11.2 billion yen from fiscal 2022, due to the effects of increased production resulting from the launch of new vehicles, etc., despite the negative impact of increased overhead costs.

**-Asia & Oceania**

Revenue is expected to be 230.0 billion yen, an increase of 39.5 billion yen from fiscal 2022. Operating profit is forecast to be 27.0 billion yen, in line with fiscal 2022, due to the negative impact of factors including changes in the model mix and increased overhead costs, despite the positive effect of increased production, etc..

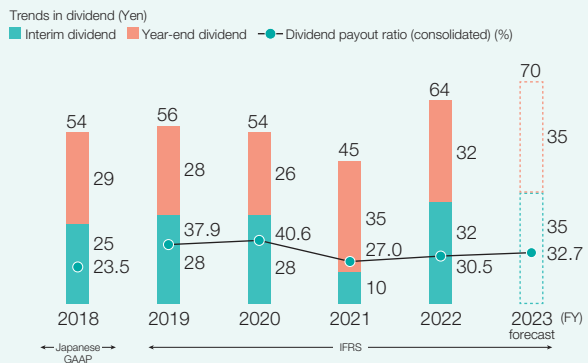
**-Europe & Africa**

Revenue is expected to be 90.0 billion yen, a decrease of 6.2 billion yen from fiscal 2022. Operating profit is forecast to decrease by 4.3 billion yen from fiscal 2022 to 1.0 billion yen due to the negative impact of factors including the suspension of operations stemming from the situation in Europe and increased overhead costs, despite the positive effect of increased production, etc..



**Cash dividends**

For fiscal 2023, we plan to pay an annual dividend of 70 yen per share, an increase of 6 yen from fiscal 2022.



## Consolidated Statement of Financial Position

FY	Millions of yen	
	2021 (As of March 31, 2021)	2022 (As of March 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	195,180	237,952
Trade and other receivables	222,827	261,814
Inventories	61,848	79,345
Other financial assets	14,416	19,990
Income taxes receivable	3,710	3,279
Other current assets	8,868	11,933
<b>Total current assets</b>	<b>506,851</b>	<b>614,317</b>
<b>Non-current assets</b>		
Property, plant and equipment	263,841	270,477
Goodwill	4,881	4,889
Intangible assets	13,177	13,060
Investments accounted for using the equity method	13,447	13,377
Other financial assets	26,219	27,563
Deferred tax assets	15,725	19,355
Other non-current assets	1,632	1,698
<b>Total non-current assets</b>	<b>338,926</b>	<b>350,422</b>
<b>Total assets</b>	<b>845,778</b>	<b>964,740</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	175,133	218,979
Bonds and borrowings	22,151	28,381
Other financial liabilities	4,076	4,622
Income taxes payable	7,498	9,359
Provisions	5,937	6,358
Other current liabilities	71,213	92,256
<b>Total current liabilities</b>	<b>286,010</b>	<b>359,958</b>
<b>Non-current liabilities</b>		
Bonds and borrowings	119,623	111,358
Other financial liabilities	6,490	7,901
Retirement benefit liability	55,376	56,107
Provisions	224	288
Deferred tax liabilities	6,552	3,352
Other non-current liabilities	1,848	1,937
<b>Total non-current liabilities</b>	<b>190,116</b>	<b>180,946</b>
<b>Total liabilities</b>	<b>476,127</b>	<b>540,904</b>
<b>Equity</b>		
Share capital	8,400	8,400
Capital surplus	3,092	3,097
Retained earnings	316,931	345,680
Treasury shares	(1,620)	(1,583)
Other components of equity	8,131	30,567
<b>Total equity attributable to owners of the parent</b>	<b>334,935</b>	<b>386,162</b>
<b>Non-controlling interests</b>	<b>34,715</b>	<b>37,672</b>
<b>Total equity</b>	<b>369,650</b>	<b>423,835</b>
<b>Total liabilities and equity</b>	<b>845,778</b>	<b>964,740</b>

## Consolidated Statement of Income

Millions of yen

FY	2021	2022
	(Fiscal year ended March 31, 2021)	(Fiscal year ended March 31, 2022)
Revenue	1,272,140	1,421,451
Cost of sales	1,138,717	1,270,778
<b>Gross profit</b>	133,423	150,673
Selling, general and administrative expenses	77,774	89,523
Other income	6,243	4,730
Other expenses	4,789	5,589
<b>Operating profit</b>	57,103	60,290
Finance income	2,102	6,432
Finance expenses	1,437	2,058
Share of profit (loss) of investments accounted for using the equity method	(423)	(134)
<b>Profit before income taxes</b>	57,345	64,529
<b>Income tax expense</b>	19,748	18,563
<b>Profit for the period</b>	37,597	45,966
Profit attributable to		
Owners of the parent	31,188	39,260
Non-controlling interests	6,408	6,705
<b>Profit per share attributable to owners of the parent</b>		
Basic (Yen)	166.93	210.15
Diluted (Yen)	—	210.13



## Consolidated Statement of Comprehensive Income

FY	Millions of yen	
	2021 (Fiscal year ended March 31, 2021)	2022 (Fiscal year ended March 31, 2022)
Profit for the period	37,597	45,966
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	2,552	1,900
Net change in fair value of equity instruments measured at fair value through other comprehensive income	4,663	899
Share of other comprehensive income of investments accounted for using the equity method	23	63
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	14,455	24,605
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(8)	9
Share of other comprehensive income of investments accounted for using the equity method	82	241
Total other comprehensive income	21,769	27,719
Comprehensive income	59,366	73,686
Comprehensive income attributable to		
Owners of the parent	50,506	63,705
Non-controlling interests	8,859	9,980

## Consolidated Statement of Cash Flows

Millions of yen

FY	2021 (Fiscal year ended March 31, 2021)	2022 (Fiscal year ended March 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	57,345	64,529
Depreciation and amortization	39,947	42,566
Interest and dividend income	(1,465)	(2,606)
Decrease (increase) in trade receivables	(17,965)	(24,490)
Decrease (increase) in inventories	8,004	(11,525)
Increase (decrease) in trade payables	(96)	11,150
Increase (decrease) in retirement benefit liability	(1,216)	2,525
Increase (decrease) in other current liabilities	(2,085)	12,987
Other	5,933	47,702
Subtotal	88,401	142,840
Interest received	1,303	2,389
Dividends received	1,460	896
Interest paid	(1,232)	(891)
Income taxes paid	(15,449)	(22,301)
<b>Net cash provided by (used in) operating activities</b>	<b>74,483</b>	<b>122,933</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(48,922)	(34,202)
Proceeds from sales of property, plant and equipment	1,818	2,562
Purchase of intangible assets	(5,494)	(3,581)
Payments into time deposits	(8,382)	(14,194)
Proceeds from withdrawal of time deposits	11,033	9,436
Other	(1,445)	(913)
<b>Net cash provided by (used in) investing activities</b>	<b>(51,392)</b>	<b>(40,893)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	791	10,092
Repayments of short-term borrowings	(12,816)	(14,067)
Proceeds from long-term borrowings	45,909	—
Repayments of long-term borrowings	(17,923)	(1,234)
Dividends paid	(6,728)	(12,516)
Dividends paid to non-controlling interests	(4,856)	(6,785)
Repayments of lease liabilities	(1,786)	(24,151)
Other	169	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>2,756</b>	<b>(48,664)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>5,955</b>	<b>9,396</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>31,802</b>	<b>42,772</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>163,377</b>	<b>195,180</b>
<b>Cash and cash equivalents at end of period</b>	<b>195,180</b>	<b>237,952</b>

Our three business domains provide the ultimate mobility life for customers around the world

In the three domains of seat, interior & exterior and unit components, the Toyota Boshoku group has delivered a variety of products that realize enriched and higher-quality time and space to people in mobility interior spaces in order to generate excellent quality and new value.

## Seat Business



The Toyota Boshoku group develops seats that elicit the maximum potential of each car, which make the vehicle easier to drive and ensure the ultimate in comfort and pleasure.

We aim to develop seats that provide comfort and safety for everyone in mobility in any setting around the world.

## Automobile Seats



Seats

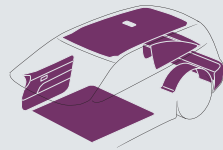


Sports seats  
(For automobile racing)



Seat frames

## Interior & Exterior Business



We strive to deliver automobile interior spaces in which people from every country and region of the world can create unforgettable moments with family, friends and other loved ones that will last a lifetime.

Staying one step ahead of the times, we develop interiors that enrich users' mobility life and ensure uncompromising comfort through total coordination of the automobile interior.

## Interior Components

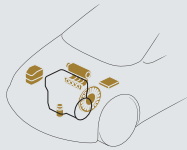


Interior system



Door trims

## Unit Components Business



In order to develop cars that ensure smooth and stable driving under any tough conditions, we manufacture products that maximize engine performance while contributing to realizing a clean and comfortable vehicle interior space by developing next-generation filtration technology.

## Filter Products

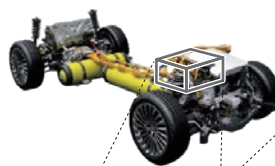


Air filters

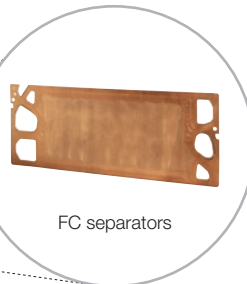


Oil filters

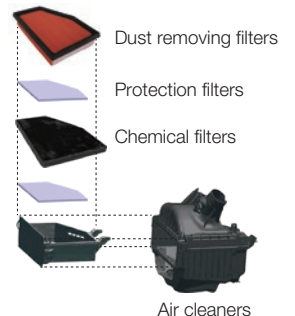
For  
FCEV  
(Fuel Cell Electric Vehicle)  
HEV  
(Hybrid Electric Vehicle)  
BEV  
(Battery Electric Vehicle)



Fuel cell stack



FC separators

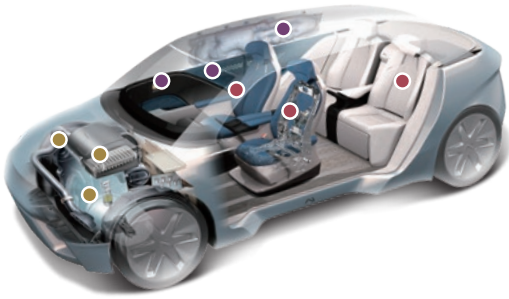


Dust removing filters

Protection filters

Chemical filters

Air cleaners



- Seat
- Interior & Exterior
- Unit Components

### Non-automobile Seats



Executive lounge seats



Lexus LS seats



Railway seats (Photo provided by East Japan Railway Company)



Aircraft seats

### Exterior Components



Headliners



Illuminations



Bumpers



Fender liners

### Others (Textile Components)



Seat fabrics

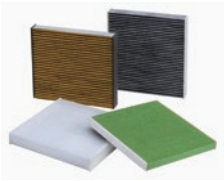


Seatbelt webbings

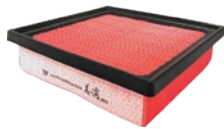


Curtain-shield airbags

### Plastic Parts for Internal Combustion Engine (ICE)



Cabin air filters



MIRO



Air induction systems



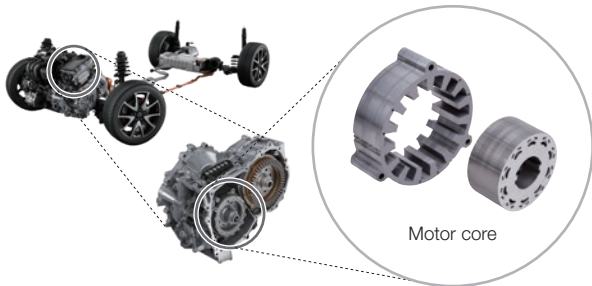
Air cleaners



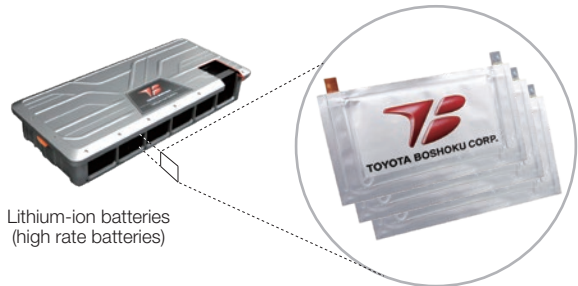
Intake manifolds (For horizontally opposed engine)



Oil mist separators



Motor core



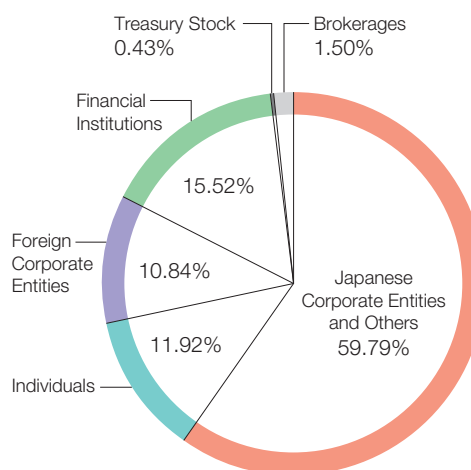
Lithium-ion batteries (high rate batteries)

# Stock and corporate information

## Stock information

Number of shareholders	15,959 (as of March 31, 2022)
Number of shares authorized to be issued	500,000,000
Number of shares outstanding	186,865,753 (as of March 31, 2022) (excluding treasury stock of 799,985)
Business year	April 1 to the following March 31
Ordinary General Meeting of Shareholders	Every June (The event is held to avoid dates on which many such shareholders' meetings are usually held)
Stock exchange listings	Tokyo Stock Exchange Prime Market, Nagoya Stock Exchange Premier Market
Securities code	3116
Payment of dividends	March 31 (Interim dividends, when paid, are paid as of September 30.)
Custodian of the shareholders' register	Mitsubishi UFJ Trust and Banking Corporation

## Breakdown of shareholders



## Inclusion in indexes (socially responsible investment)



**FTSE Blossom Japan Sector Relative Index**

The index was designed by FTSE Russell to measure the relative ESG-responsive performance of Japanese companies in each sector. To facilitate the transition to a low-carbon economy, companies are selected using their climate governance and climate change initiatives in the rating.

FTSE Russell confirms that Toyota Boshoku Corporation has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.  
<https://www.ftserussell.com/products/indices/blossom-japan>



**JPX-NIKKEI 400**

This stock index is jointly developed and operated by Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc. and Nikkei Inc. The index is composed of “companies that are highly appealing as investments from the standpoint of investors.”

2022



Sompo Sustainability Index

This stock index was established independently by Sompo Asset Management Co., Ltd. Constituent companies are selected based on evaluations of their corporate ESG (environmental, social and governance) initiatives.



The Development Bank of Japan Inc. (DBJ) assigns scores to businesses for environmentally responsible management, selecting and ranking superior companies while setting conditions for financing according to those scores. Toyota Boshoku has received the bank's highest rating, and is recognized as “particularly innovative in its environmental efforts.”

## Evaluations



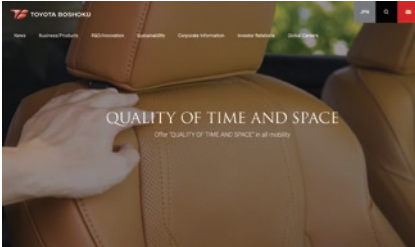
This NGO requires disclosure of strategies to address climate change and information on greenhouse gas emissions, and publishes an evaluation score worldwide. Toyota Boshoku received an A- rating in the Water Security category and the Supplier Engagement Rating.



Toyota Boshoku was certified as an Excellent Enterprise of Health and Productivity Management 2022 (White 500) jointly selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



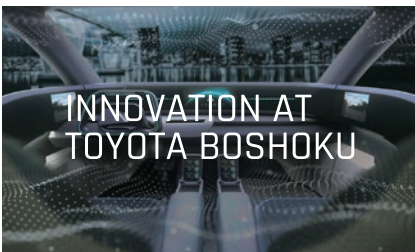
## Website links



### Corporate website

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

Here we provide comprehensive information on the Toyota Boshoku group. Visitors to the site can learn more about Toyota Boshoku, including our business activities, R&D, sustainability initiatives, IR information, and employment opportunities.



### Innovation at Toyota Boshoku

<https://tech.toyota-boshoku.com/global/>

Here we introduce the Toyota Boshoku group's initiatives related to R&D. Visitors to the site can learn about Toyota Boshoku's advanced technological capabilities—from our R&D strategy based on the future outlook, to design and the latest concept cars—as well as the targets we're aiming for with these capabilities.



### Team Breakthrough

**Creating the future through challenge and innovation**

<https://www.toyota-boshoku.com/global/teambreakthrough/>

Team Breakthrough is a media site which introduces the Toyota Boshoku group's future-oriented thinking and most recent initiatives, organized around the four themes of R&D, sustainability, people, and MONOZUKURI.



YouTube



Instagram



Thank you for taking the time to read through the Toyota Boshoku Report 2022. This year's report has been compiled with a focus on the 2025 Mid-Term Business Plan under the theme of "Roadmap to enhancing corporate value and realizing materiality through the implementation of CSV management." More of the group's company members than ever before were involved in the production of this report, and we feel that awareness of the report as a tool for constructive dialogue with our stakeholders is also spreading within the group. We hope that it helps you to understand our approach to and initiatives for enhancing corporate value, and that through dialogue, it deepens mutual understanding.

October 2022

Global Management Strategy Division, Toyota Boshoku Corporation



Global Management Strategy Division  
Toyota Boshoku Report 2022 Production Team

