

FY2023

ESG BRIEFING

Date: November 25, 2022



Environment



Social



Governance

Script

I am Shirayanagi, President and Chief Executive Officer.

Thank you very much for attending our ESG briefing for Financial Year 2023.

We believe that our proactive disclosure of both financial and non-financial information and having dialogue with our investors will lead to our sustainable growth and corporate value enhancement.

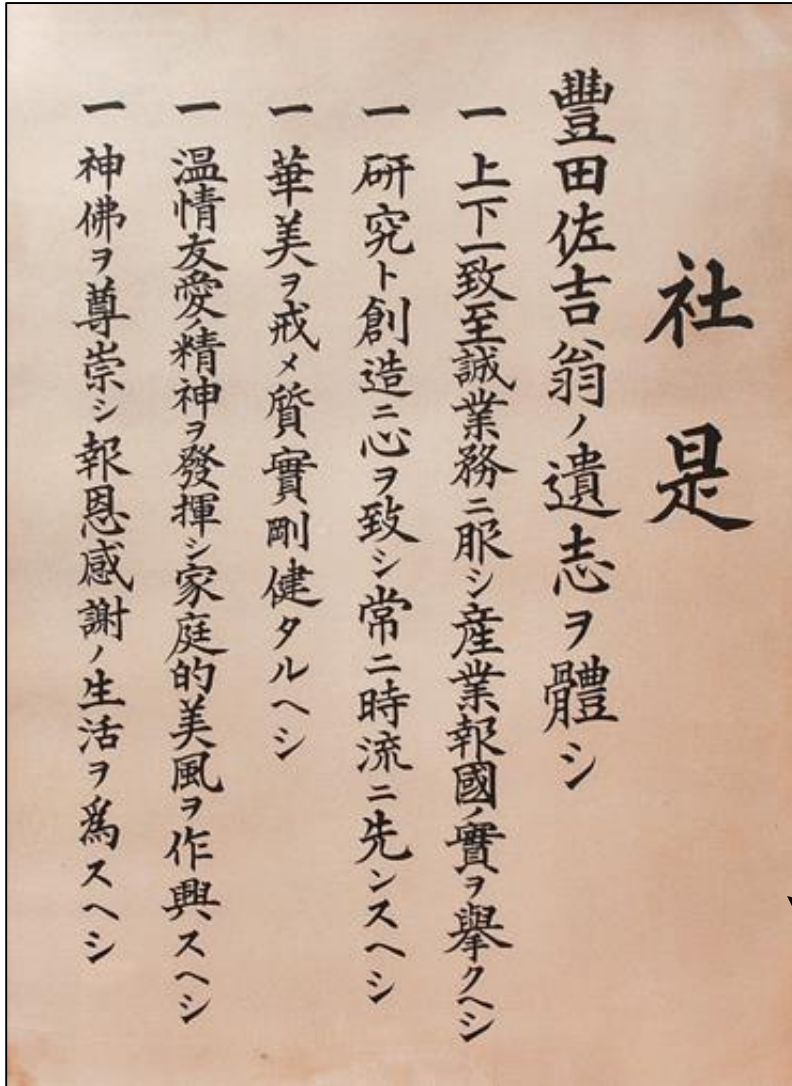
Today, I would like to explain our ESG initiatives.

We will also disclose our initiatives related to human rights and health management, which have been increasingly attracting social interest these days, through subsequent briefings, our website, and the Toyota Boshoku Report.

Message from the president

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

“Gratitude” “Humility”
“A reliable company of choice”
“I like Toyota Boshoku”



Principles of Toyota

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.

Script

We have positioned the Principles of Toyoda, a set of key ideas of our founder Sakichi Toyoda, as its company credo.

The Principles of Toyoda 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.”

We should feel gratitude that our work is supported by so many people, always regard ourselves with an attitude of humility, and have the flexibility to alter ourselves in accordance with the changing times and environment. I think this is extremely important.

We hope to make a company where all the stakeholders are able to say, “**I like Toyota Boshoku**,” while each and every one of our company members has a sense that they contribute to society through their work, and everyone takes pride in the company.

Today, I would like to explain about the Toyota Boshoku Group’s sustainability. Through our sustainability initiatives, I hope you understand our efforts to be “**a reliable company of choice.**”



Chapter 1

Toyota Boshoku Group's Sustainability

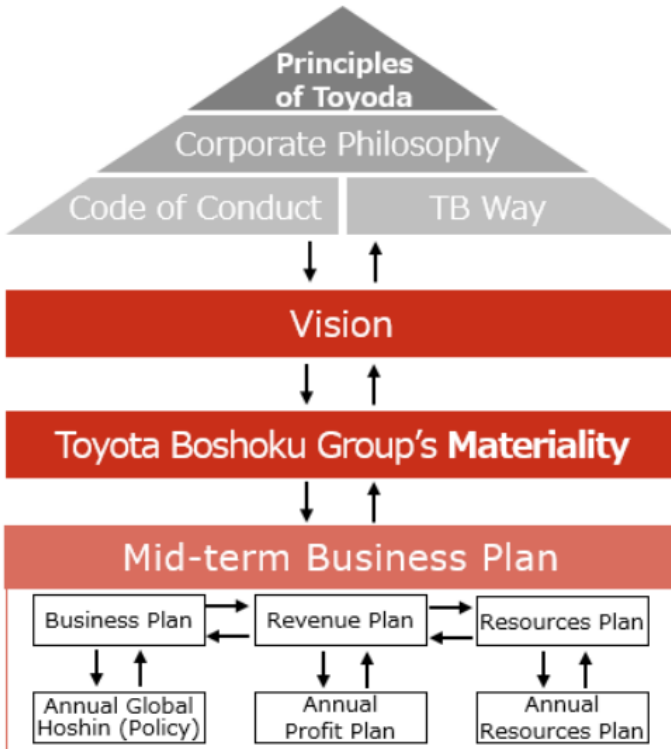


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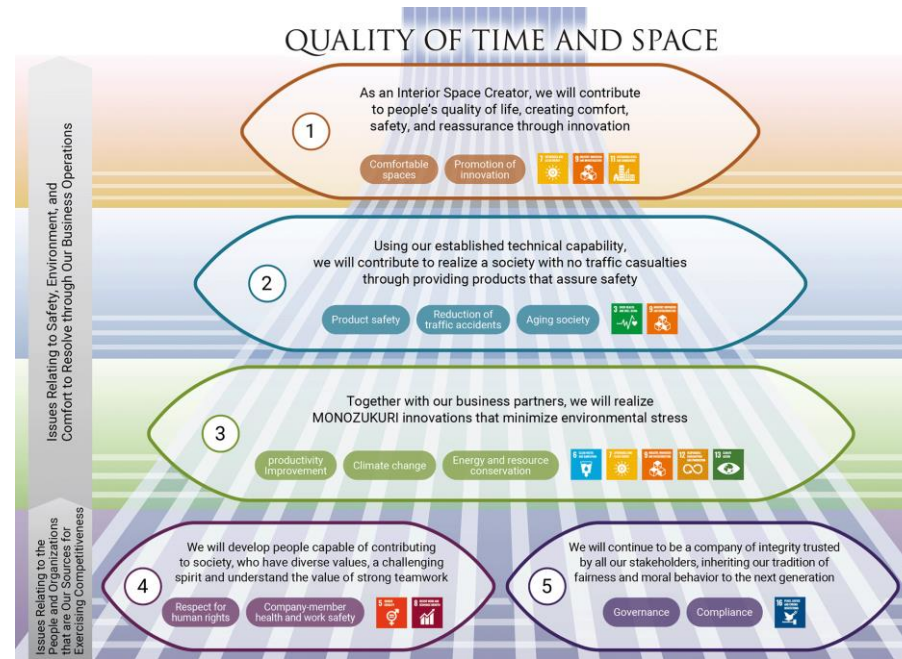
In the first chapter, I will introduce the Toyota Boshoku Group's sustainability initiatives

1. The Toyota Boshoku Group Sustainability Policy

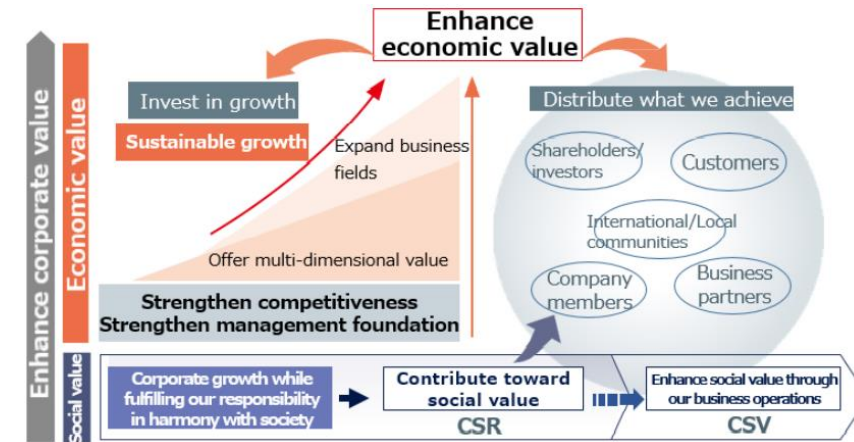
1) Management Concept



2) Materiality



3) The management structure we aim to become



We aim to become “a reliable company of choice” by working to resolve social issues through our business operations

Script

We are accelerating a shift to CSV management, in which we aim to enhance both social value and economic value through our business activities.

To clarify the concept of CSV management, in December 2021, we formulated and announced the Toyota Boshoku Group Sustainability Policy, which is composed of the “Management Concept,” “Materiality,” and “The management structure we aim to become.”

Based on this policy, we promote our sustainability initiatives, and contribute to resolving social issues through our business operations.

2. ESG KPIs

The 25 ESG KPIs are presented at the Page 36.

E: Carbon Neutrality

Hirotsugu Kobayashi

Center Chief, Carbon Neutral Environment Center



ESG KPIs

Related pages

Production CO₂ emissions reduction ratio

P10, 11

S : R&D

Takashi Yamamoto

CTO (Chief Technology Officer)



ESG KPIs

Related pages

Rate of new product development leading to Interior Space Creator

P21, 22

Ratio of vehicles that are expected to use products that contribute to traffic safety

P23

S: Cultural Reform, D&I

Nobuhisa Nagata

CHRO (Chief Human Resource Officer)



ESG KPIs

Related pages

(Number of women at management positions)*

P26

* Publicly released indicator other than ESG KPIs

G: Governance

Masayoshi Shirayanagi

CEO (Chief Executive Officer)



ESG KPIs

Related pages

Number of serious cyber security incidents

P34

By promoting activities based on ESG KPIs, we aim to achieve materiality and realize our desired status for 2030*

* Our desired status for 2030: To become a sustainable, leading global company by enhancing corporate value (Creating new value as an Interior Space Creator)

Script

As indicators to evaluate our ESG initiatives, toward achieving materiality and realizing our desired status for 2030, we set ESG KPIs in December 2021. While measuring the progress in achievement, we will resolve social issues and aim to enhance our corporate value.

The KPI evaluation items and targets are set in each categories such as, CO₂ emissions reduction for the environment categorie, R&D for Interior Space Creator, cultural reform and Diversity and Inclusion for the social categorie, and the governance category.

The results and progress are monitored by the CSV Promotion Meeting and also confirmed by the Board of Directors.



Chapter 2

Initiatives to Resolve Social Issues for the World and for People



Script

In Chapter 2, the officers in charge will explain specific initiatives.



Environment: Aiming to Achieve the 2050 Environmental Vision

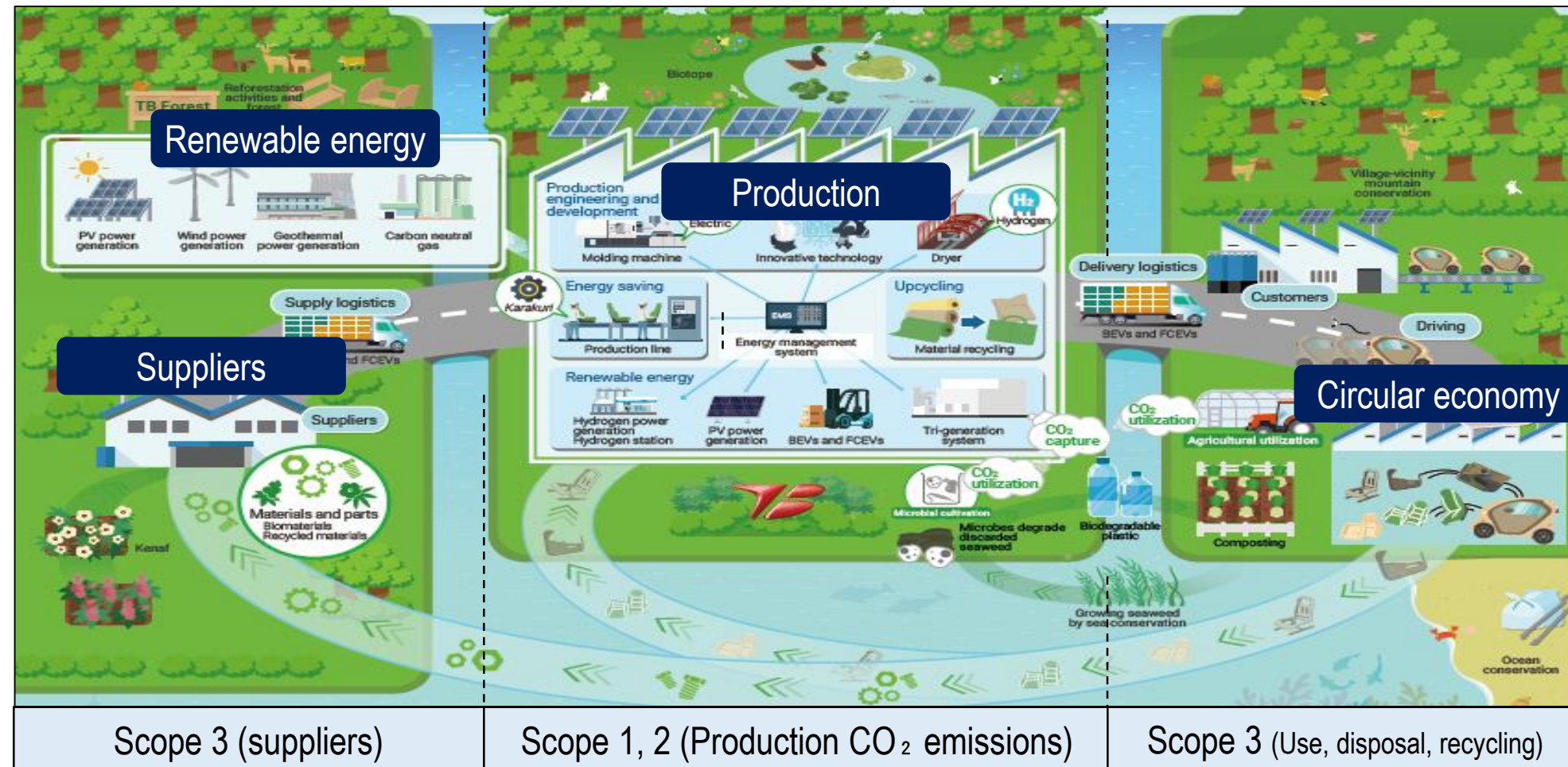


Script

I am Kobayashi, Center Chief of the Carbon Neutral Environment Center.
I will introduce our initiatives for the environment.

1. To achieve the 2050 Environmental Vision

Toward 2030, reorganize the issues to be tackled based on our strategies, social issues, and market trends



Issues to be tackled

Scientific basis

Setting reduction targets such as SBT based on LCA

Circular economy

Natural resource depletion
CO₂ emissions reduction

Information disclosure

Timely disclosure through TCFD, TNFD and CDP

Carbon footprint

Response to carbon carbon tax
Management by product

Biodiversity

Symbiosis with nature
(Preventing overexploitation)

Work together with our stakeholders to achieve zero CO₂ emissions in the product life cycle, with the aim of creating a sustainable global environment where children can lead their lives with a smile

Script

Toyota Boshoku has been engaged in environmental activities since it established the 2050 Environmental Vision in 2016.

Aiming to achieve our desired status for 2030 beyond the ongoing 2025 Mid-Term Business Plan, we examined the trends of customers and markets, through which we have reaffirmed the importance of not only LCA and circular economy, but also information disclosure and scientific basis.

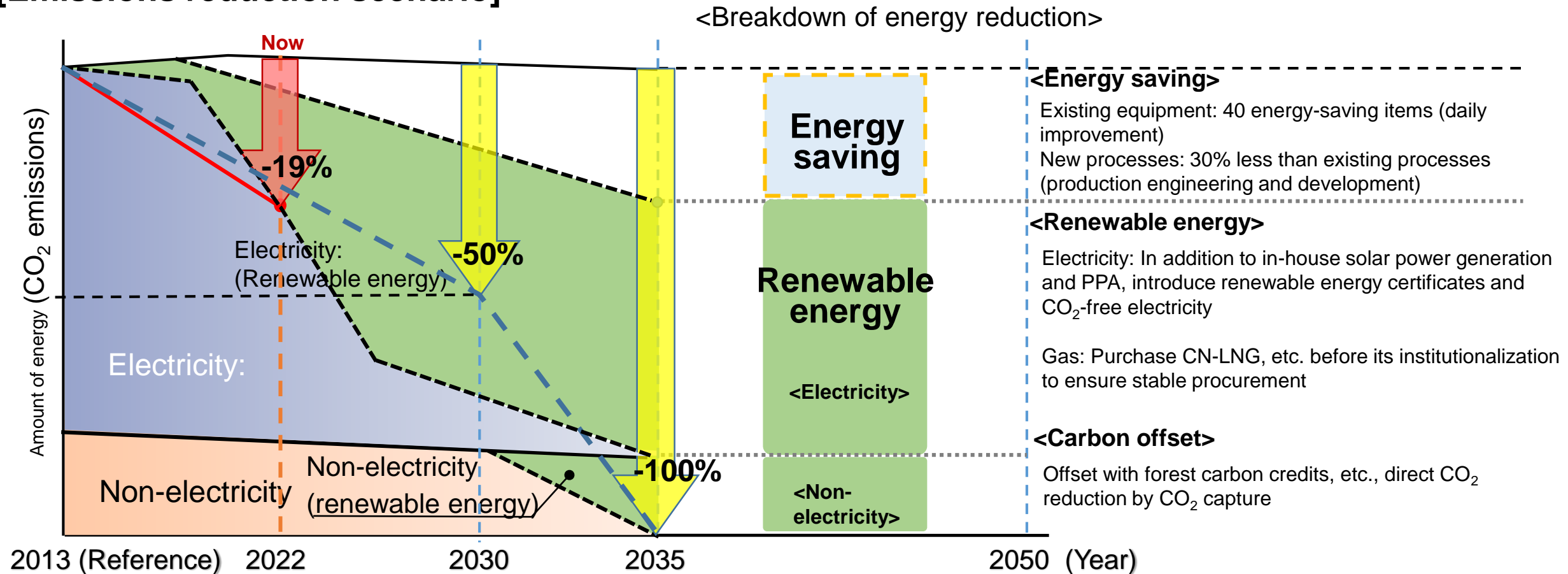
Especially for Scope 3, we have been working to improve accuracy. While using third-party organization, also in cooperation with our suppliers, we aim to set targets based on competitive emissions management in compliance with the GHG Protocol.

Through these activities, we are working together with all our stakeholders to achieve zero CO₂ emissions in the product life cycle, with the aim of creating a sustainable global environment where children can lead their lives with a smile.

2. Production CO₂ reduction (Scope 1, 2)

Plant CO₂ carbon neutrality

[Emissions reduction scenario]



Aiming at 50% reduction in 2030 and 100% carbon neutrality in 2035

Script

Regarding Scope 1 and 2, many car manufacturers both inside and outside Japan have moved up their target years for achieving carbon neutrality to between 2035 and 2040. In line with this trend, we will accelerate our initiatives, aiming to achieve 50% reduction by 2030 and 100% carbon neutrality in 2035.

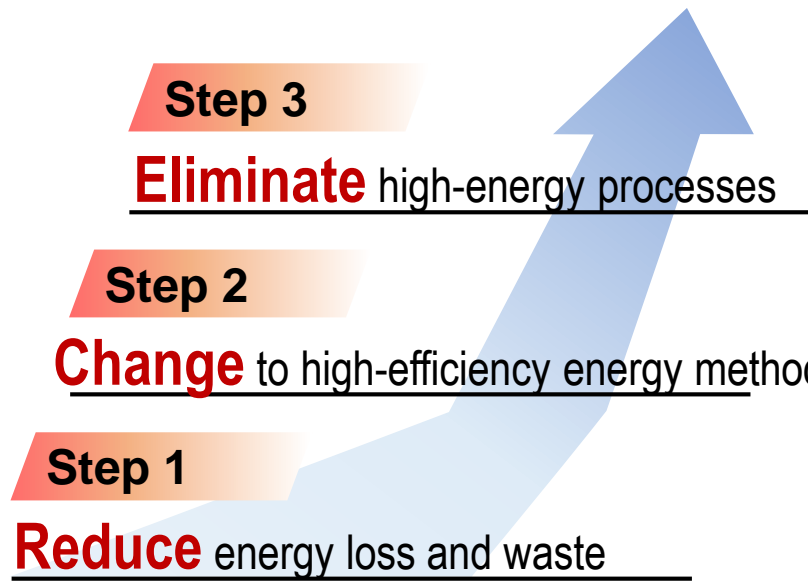
As measures to achieve the targets, in addition to the energy-saving efforts, we will secure the necessary amount of renewal energy, such as PPA and virtual PPA.

At the same time, for non-electricity energy, we are working to promote the purchase of forest-based and other carbon credits and direct CO₂ capture through technology development.

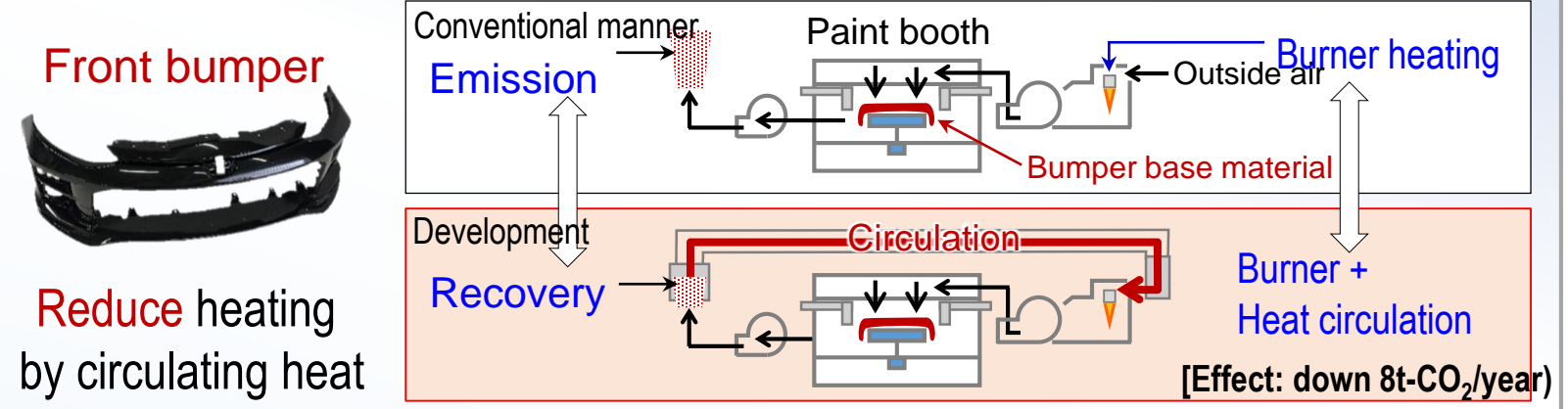
3. Addressing environmental issues through MONOZUKURI (Scope 1, 2)

CO₂ emissions reduction through energy-saving activities

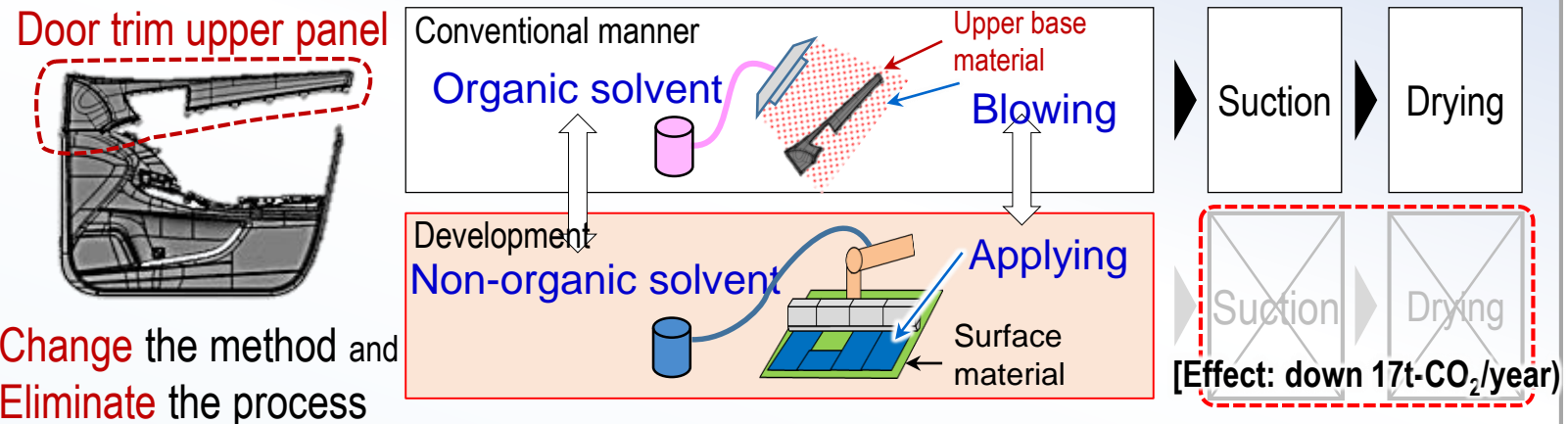
Concept and initiatives in production engineering and development



Case 1: Bumper paint process



Case 2: Door trim surface material bonding process



“Reduce, change, and eliminate” to steadily reduce CO₂ emissions

Script

Next, regarding “addressing environmental issues through MONOZUKURI,” here are cases of CO₂ reduction in production engineering and development.

First, the concept is to achieve reduction targets in three steps of “reduce” loss and waste of energy, “change” the method to one with higher energy efficiency, and “eliminate” the processes that require high energy.

For example, in the bumper coating process, by circulating the exhaust heat, we “reduced” the heating energy, achieving a reduction of 8 tons of CO₂ emissions per year.

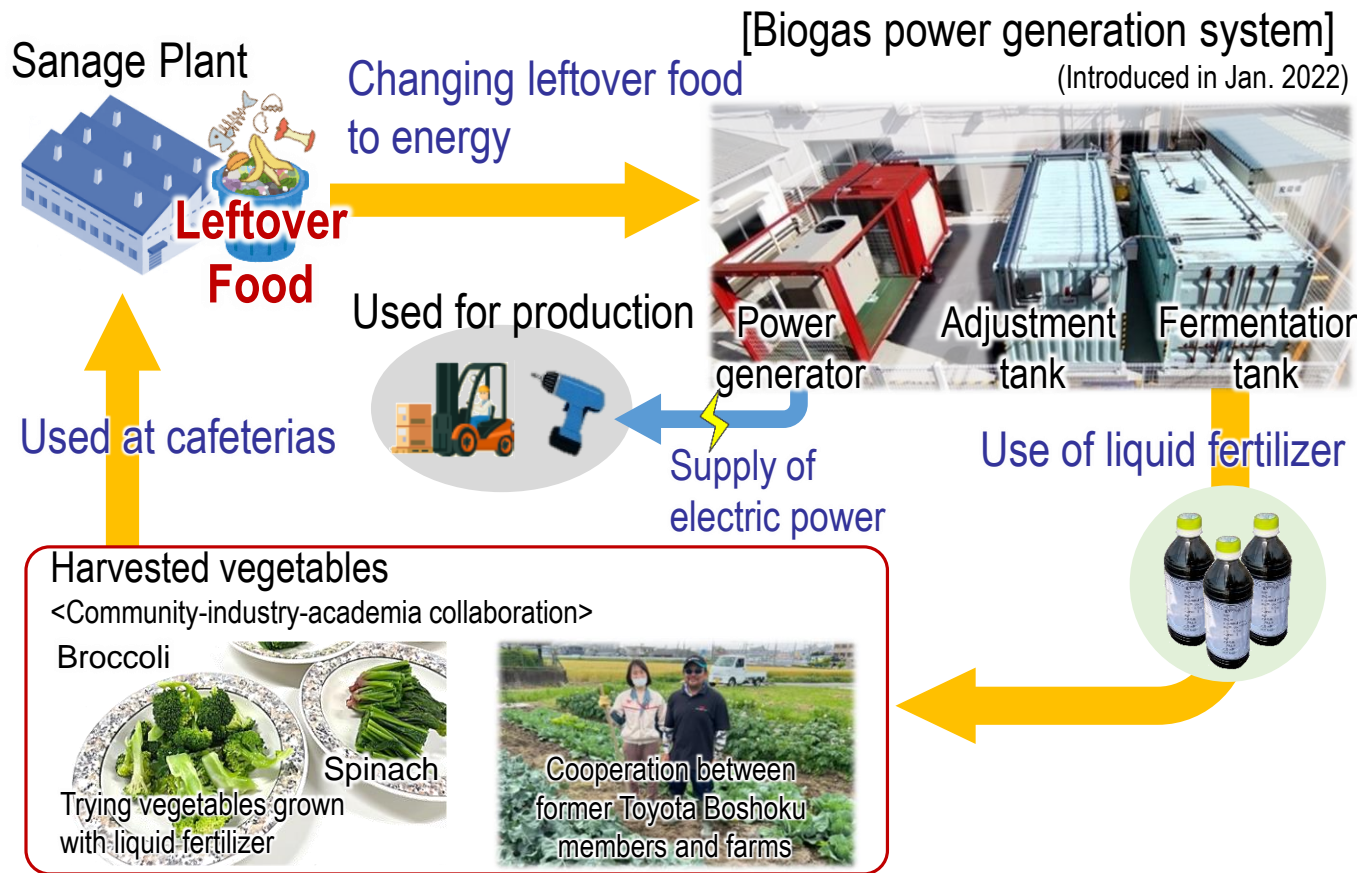
And in the door trim surface material bonding process, we changed the adhesive and changed the method from blowing to applying, which is more efficient, and which enabled us to eliminate the high energy consuming process. With this, we plan to reduce CO₂ emissions by 17 tons each year.

We will continue to reduce CO₂ emissions based on the concept of “reduce, change, and eliminate.”

4. Creating a recycling-oriented society to achieve SDGs (Scope 1, 2)

Effective utilization of waste that could not be reduced

[Initiatives aimed at food recycling]



[Upcycling of discarded surface material and contribution to local communities]



Promote activities in coordination with society

Script

Although we are working to reduce waste in our mainstay production activities, there is some waste that cannot be reduced and has to be discarded. I would like to introduce two of our initiatives to make use of such waste.

One is the initiative to generate power using biogas produced from leftover food at cafeterias.

As a food recycling project, liquid fertilizer generated in such biogas production process is delivered to local farmers to be applied on their farms, and then the harvested farm products are used at our company cafeterias

The other initiative is an upcycling project to make novelty goods using discarded seat surface materials and commercially release them with additional ideas and design. These products are sold well.

We also provide scrap materials for kindergartens to contribute to education for cultivating children's senses and creativity.

We will continue to promote activities in coordination with society.

5. Addressing environmental issues through MONOZUKURI (Scope 3)

Initiatives for CO₂ reduction throughout the value chain

[Activities in cooperation with suppliers]

[Results of FY2023 activities]

- ① Held a decarbonation seminar through supplier group
- ② Request to increase reduction items in CO₂ emissions survey

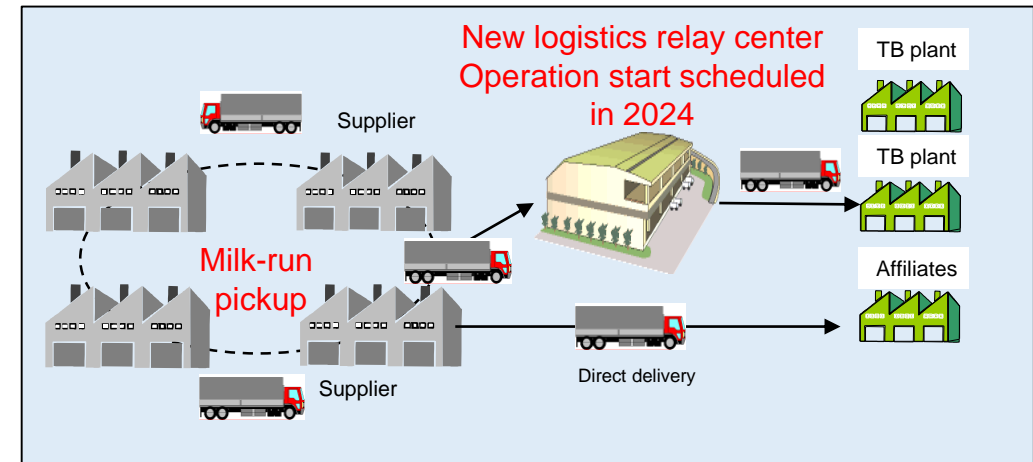
[Decarbonation seminar by Sunshine]



- Seminar for steps from grasping current situation through setting targets, and formulation of a reduction plan by external instructors
- Training on visualization of CO₂ emissions and team discussions

[Reviewing transportation system to realize efficient logistics]

- ① Promoting milk-run logistics and setting up new logistics relay center (Toyota City)



- ② Merger of affiliated subsidiaries to optimize operations

Merged group logistics subsidiaries on October 1, 2021



Work together for CO₂ emissions reduction of Scope 3 throughout the entire value chain

Script

Next is the initiatives for CO₂ reduction throughout the value chain.

This year, we held a decarbonization seminar through the Toyota Boshoku Suppliers' group "Sunshine."

We invited external instructors to give lessons for steps from grasping the current situation to setting targets for CO₂ emissions, formulate a reduction plan, and group discussions were held.

Another initiative was reviewing the transportation system to realize highly efficient logistics.

Aiming to realize efficient milk-run logistics, preparations are being made to set up a new logistics relay center scheduled to start operation in 2024.

We are working together with our suppliers for CO₂ emissions reduction of Scope 3 throughout the entire value chain.

6. Initiatives for circular economy (Scope 3)

Formulation and implementation of material strategies for carbon neutrality

[Specific actions]
<Material recycling>



End-of-life vehicles



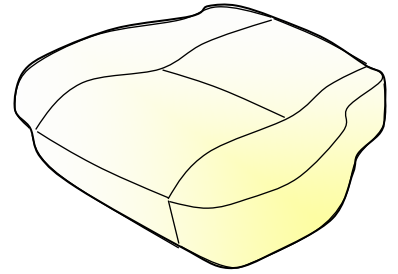
Recycled PP resin



Crushed urethane

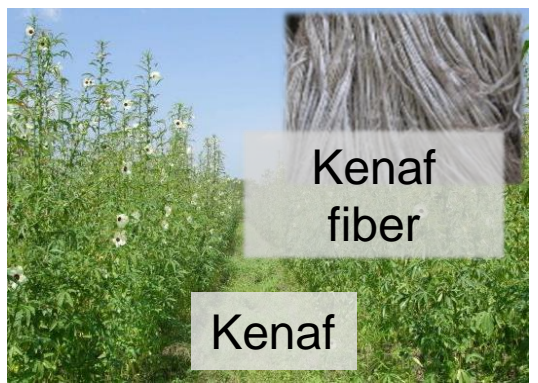


Door trims made with recycled PP resin



Seat pad made with crushed urethane

<Use of biomass>



Kenaf fiber

Kenaf



Kenaf pre-board



Kenaf base material



Door trims made with kenaf base material

Realizing products from recycled materials

Script

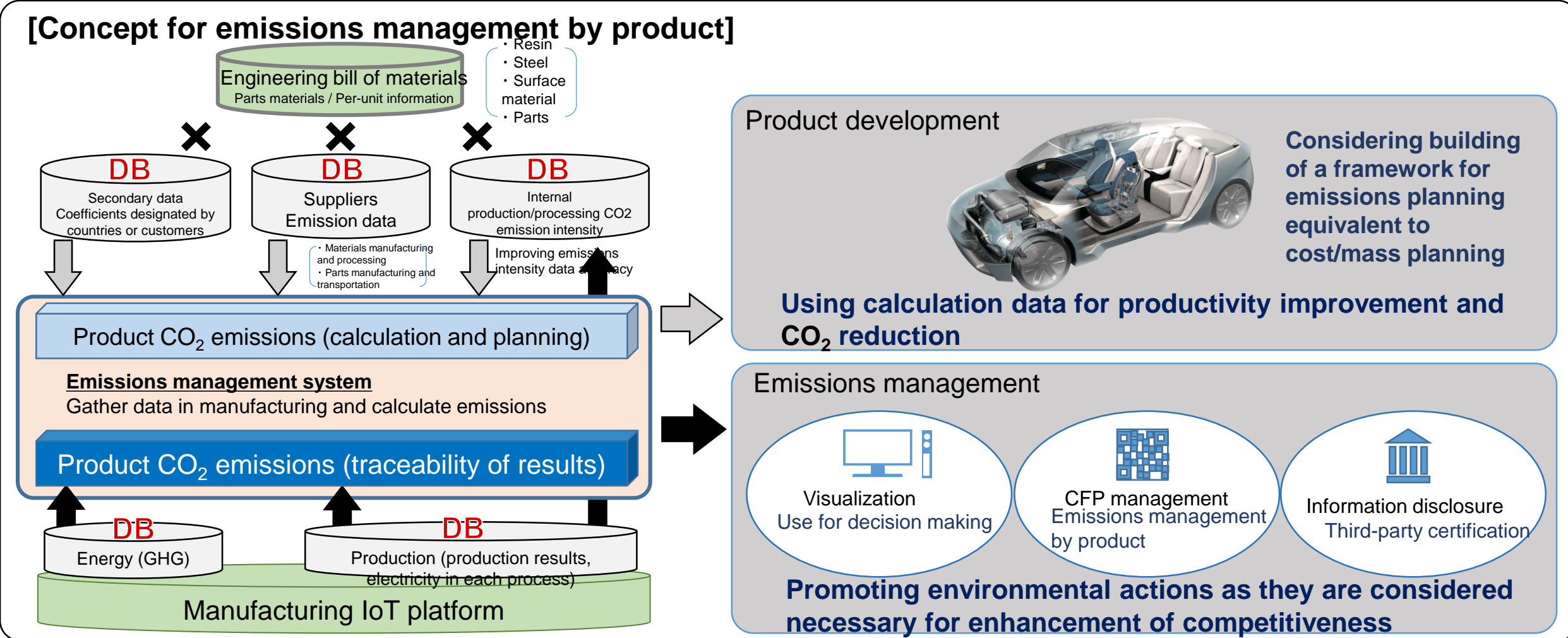
As initiatives for circular economy, I would like to explain the formulation and implementation of material strategies for carbon neutrality.

Specifically, with a view to recycling materials such as PP resin and urethane from end-of-life vehicles, we are examining the collection method and promoting development of products made with recycled materials.

At the same time, we are promoting the use of biomass, by products utilizing kenaf, to achieve the targets of CO₂ reduction by 2030 and realizing carbon neutrality by 2050.

7. Responding to LCA through MONOZUKURI (All Scopes)

Establishing a framework for emissions management



Ensure information disclosure to and obtaining certifications for targets from third-party organizations, such as TCFD and SBT, to enhance competitiveness

Script

In view of the carbon border taxes, which are scheduled to be introduced from Europe, we think it is one of our important tasks to establish a framework for emissions control by product.

Along with the enhancement of the information infrastructure, for emissions by product, we will link necessary data, which is currently existing at different locations in the company, to improve efficiency in calculation and planning of emissions. By using the calculated data for improving productivity and reducing CO₂, we will achieve competitive product development.

At the same time, we will disclose information to third-party organizations, such as TCFD and SBT, and obtain certifications for our targets from them by implementing total volume management, including ensuring traceability, with the aim of enhancing our competitiveness.

8. Initiatives for conservation of biodiversity

Activities for biodiversity conservation

Announced support for the 30by30 Alliance (2022)



30by30 is an initiative to effectively conserve at least 30% of land and ocean as a sound ecosystem by 2030 toward achieving the goal of halting and reversing loss in biodiversity by 2030 (Nature Positive)

Joining the All Toyota Green Wave Project (since 2015)

Activity to remove lance-leaf coreopsis* (2022)



* Designated as an invasive alien plant

Activities to conserve wild birds at Toyota Boshoku France (2021)



Planted shrubs in the company sites to provide habitats for birds, with an expectation of restoring the number of birds

While contributing to protection of habitats for endemic species through the 30by30 and other mechanisms, advancing preparations for disclosure in accordance with TNFD

Script

At last, I will introduce our initiatives for conservation of biodiversity.

Toyota Boshoku announced its support for the 30by30 Alliance by the Ministry of the Environment, Japan in October 2022.

We will continue to promote activities to conserve biodiversity and contribute to protection of habitats for endemic species using our Group network.

At the same time, we will prepare for disclosure in accordance with TNFD.



**Social:
To Realize an Interior Space based on Safety,
Reassurance, and Comfort**



Script

I am Yamamoto, Chief Technology Officer.

Next, I would like to explain about an **Interior Space Creator**, which we aim to become.

1. Toyota Boshoku's desired status: "Interior Space Creator"

Target

- Interior Space Creator



Value to realize

QUALITY OF TIME AND SPACE
Offer "QUALITY OF TIME AND SPACE"
in all mobility



Quality of life



As an Interior Space Creator, we will contribute to people's quality of life

Script

We define an Interior Space Creator as a leading company that is capable of creating solutions, from a single component part to total coordination, beyond expectations of our customers and offering the Quality of Time and Space.

We hope to contribute to people's quality of life by becoming an Interior Space Creator.

2. Social trends and consumer needs

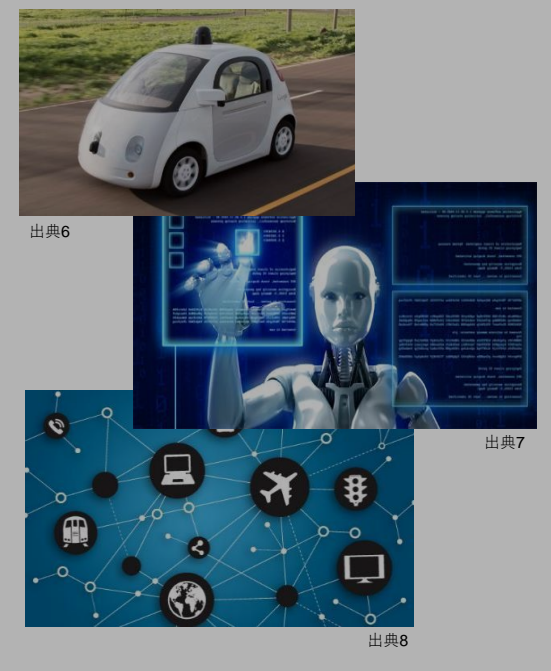
C

Accelerating instantization of life



A

Improving quality of life



S

Changing values mainly among Generation Z



E

Improving awareness of environmental issues



Further acceleration of CASE is expected

Script

In order to become an Interior Space Creator and offer solutions that exceed **the** expectations of our customers, we must foresee the needs of consumers from social trends.

First, services that enable people to get whatever they need whenever they like will become common, accelerating the instantization of life.

In addition, we also expect improvement in the quality of life of people along with the technological advancement, such as AI, and change in value, mainly among Generation Z, due to the expansion of sharing services.

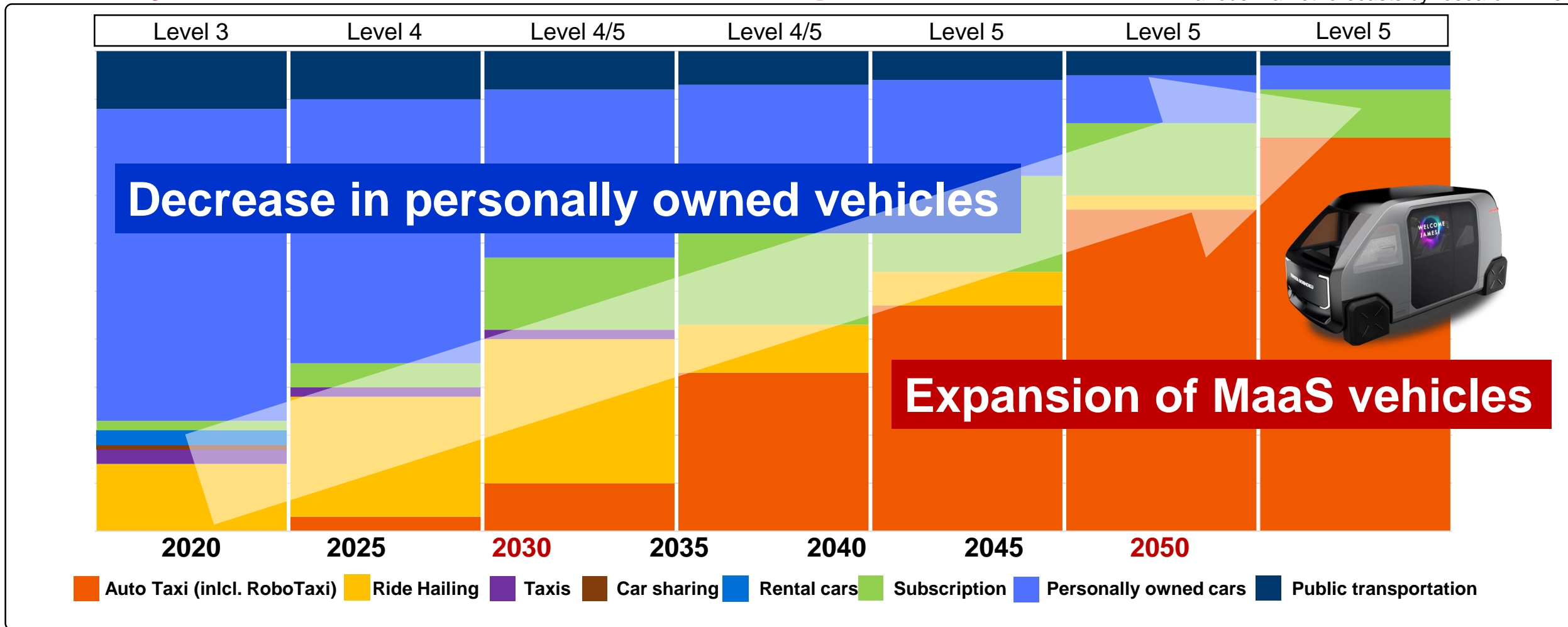
On the other hand, due to the increasingly severe living environment, people's awareness of environmental issues is likely to be raised.

We foresee that these changes in consumer needs will further accelerate CASE.

3. Changes in social issues and the automotive industry

Mobility market transition forecast in metropolitan areas

* Figure: Created by Toyota Boshoku based on various market forecasts by research firms



Necessary to respond to expansion of MaaS vehicles

Script

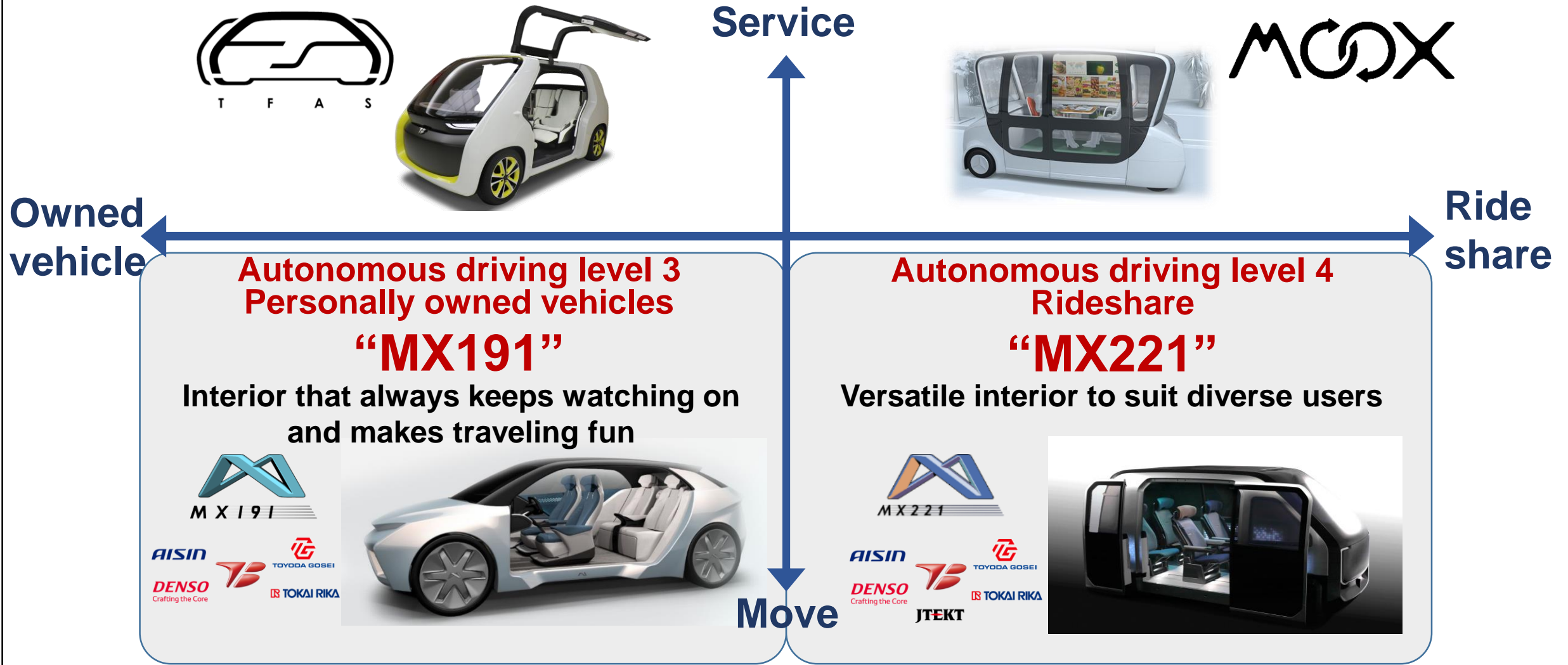
Based on the trends and needs, I will explain our initiatives as an Interior Space Creator.

This figure shows a forecast of the advancement of autonomous driving and changes in mobility market in metropolitan areas.

As CASE advances, we predict that vehicles owned by individuals will gradually decrease while MaaS vehicles, such as those for rideshare and autonomous driving taxis, will rapidly expand.

We think that the value of interior space will significantly change due to these changes in the use of mobility. In view of these trends, we have been promoting four concepts.

4. Aiming to become an Interior Space Creator



Promoting concept plans suitable for needs

Script

Here are the four concepts.

With owned vehicle and ride share plotted on the x-axis and travel oriented and service oriented on the y-axis, concept plans suitable for needs are promoted in these four quadrants.

For the MX series, in particular, Toyota Group companies have been working together to propose new value of mobility.

The MX191 was developed jointly by five Toyota Group companies under the concept “interior that always keeps watching on and makes traveling fun.” for personally owned vehicle

For the MX221, in anticipation of rideshare services in MaaS market, six group companies worked together under the concept of “versatile interior to suit diverse users.”

Based on these concepts, we promote development of specific items.

5. Case study 1

System to ease motion sickness

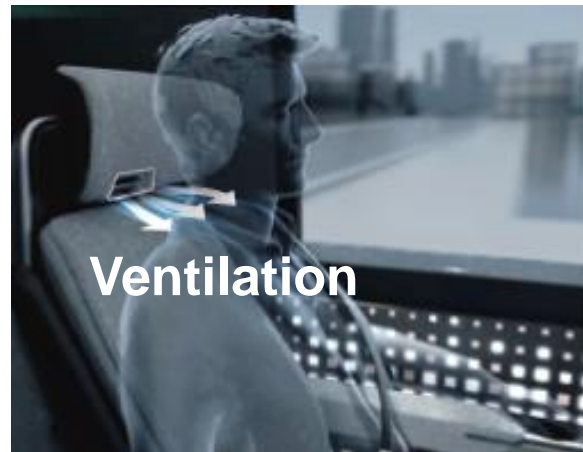
FEEL GOOD

DO MORE

Background: While autonomous driving, around **40%** of people desire **actions likely to cause motion sickness**

Value offered: Supporting mitigation of motion sickness and quick recovery

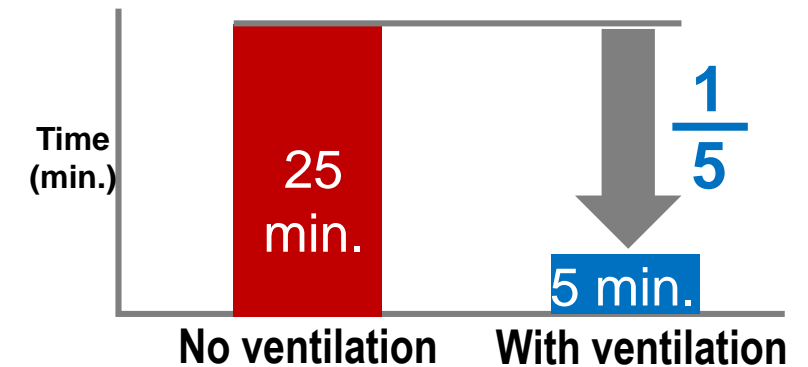
Function: **Cooling the driver's neck with ventilation from seat to support easing of motion sickness**



<Motion sickness experiment>



<Time required to recover from sickness*>



* An example of test result by Toyota Boshoku

Expand the value to all types of mobility and contribute to society by offering a meaningful travel time

Script

As a case study of development, I would like to introduce a system to mitigate motion sickness.

According to a survey by the University of Michigan, in a car during complete autonomous driving, 36% of those surveyed have a desire to do actions that are likely to cause motion sickness, such as watching videos and working.

Therefore, we have developed a system to ease motion sickness. By offering this system, we hope customers are able to use their travel time in car for whatever activities they like, such as for hobbies or work, and improve their quality of life.

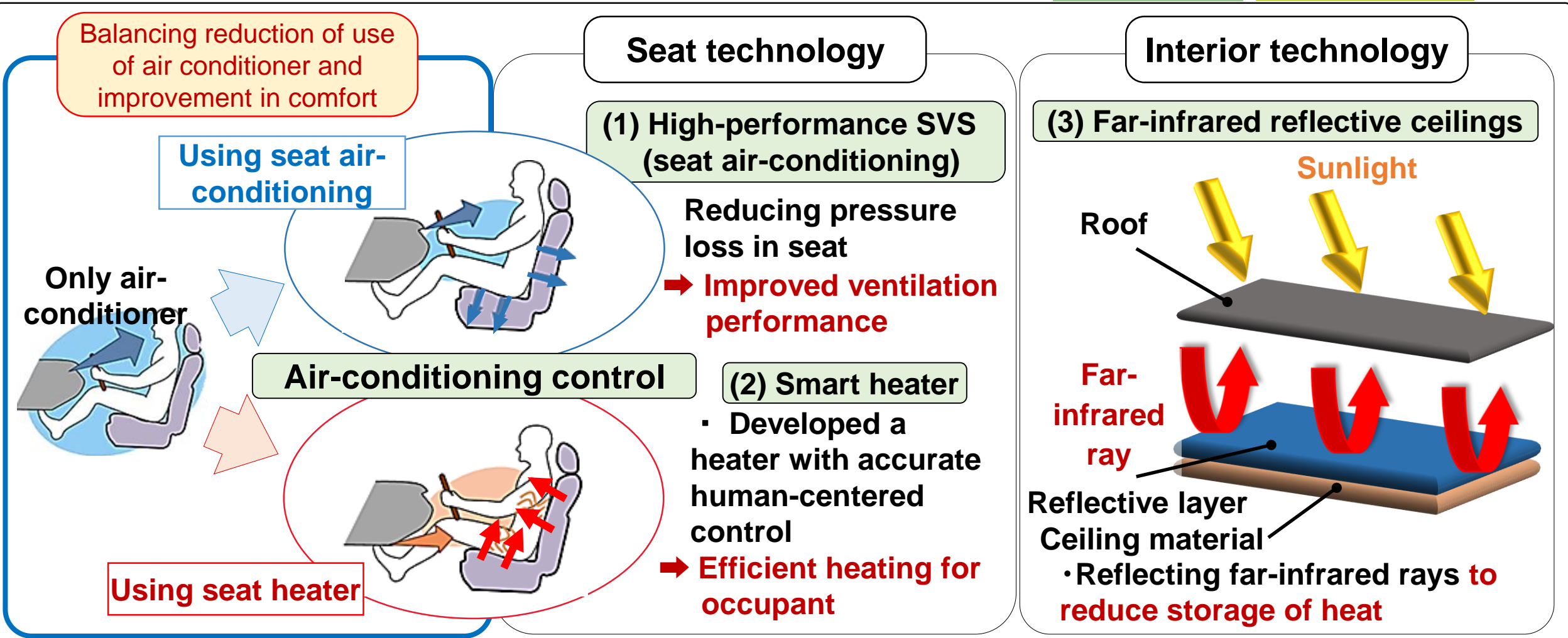
This system cools the driver's neck with an ventilation system installed in the seat to support mitigation of motion sickness. We conducted an experiment by simulating a situation in which the driver easily gets motion sickness on our proving ground. And it was confirmed that with this system, the driver recovers from motion sickness in one-fifth the time compared to without the ventilation system.

In the future, we will expand the value to all types of mobility including not only passenger vehicles but also MaaS vehicles, airplanes and buses, and contribute to society by offering a meaningful travel time.

6. Case study 2

Improving power consumption efficiency by heat management

Environment **FEEL GOOD**



Enrich both the environment and people by balancing the reduction of energy consumption and the improvement in comfort

Script

Another case is heat management.

We contribute to improving power consumption efficiency by promoting heat management.

While reducing the storage of heat, we are improving comfort with human-centered heat control.

In the seat segment, efforts are focused on the development of high-performance SVS with reduced pressure loss in the airflow path inside the seat and the development of a heater capable of accurately controlling different portions based on the human-centered approach.

In the interior segment, we are advancing development of far-infrared reflective ceilings to control entry of solar radiation into vehicle interior space.

With these technologies, we aim to balance the reduction of energy consumption and the improvement in comfort, thereby enriching both the environment and people.

7. Case study 3

Relax & safety seats

Safety

DO MORE

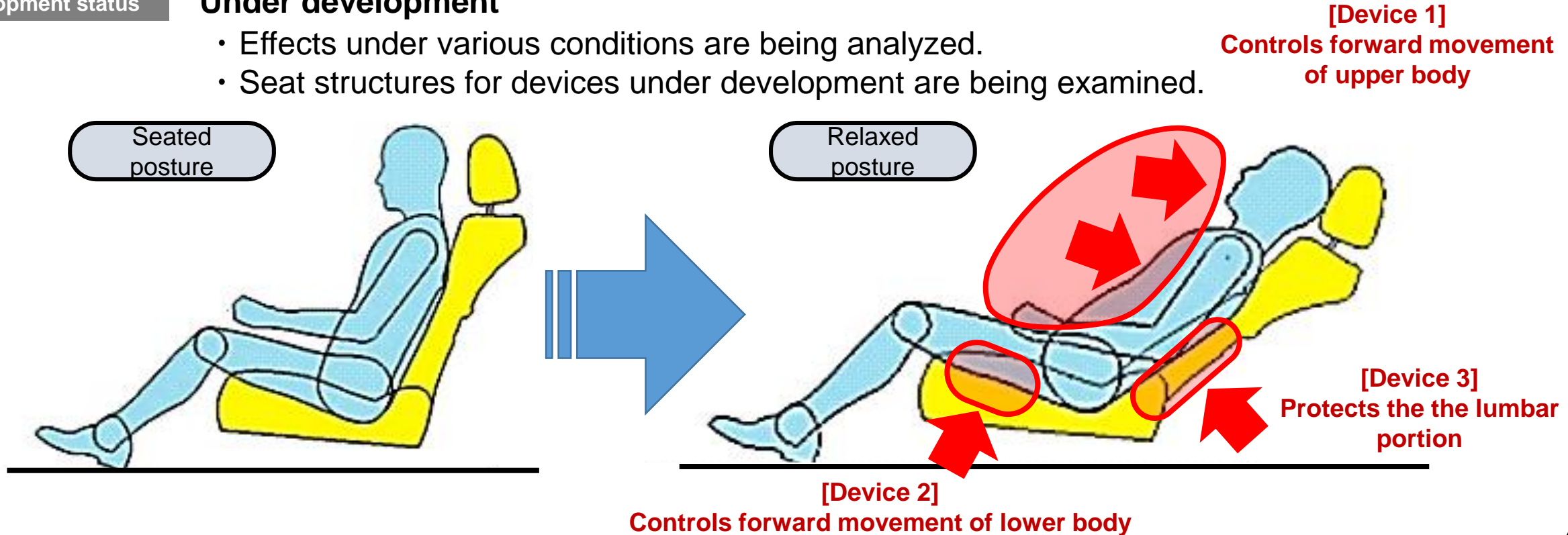
Objective

Development of measures to mitigate crash energy on passengers in a relaxed posture

Development status

Under development

- Effects under various conditions are being analyzed.
- Seat structures for devices under development are being examined.



Realize an interior space with greater freedom by balancing comfort and mitigation of crash energy

Script

Let me show you an initiative for safety.

For the purpose of mitigating crash energy on passengers seated in a relaxed posture, we have been promoting the development of the relax & safety seats, for which greater demand is expected in line with the spread of autonomous driving.

Regarding the current development status, we are confirming and analyzing effects under various conditions and examining seat structures.

With these technologies, we will create an interior space with greater freedom by balancing comfort and mitigation of crash energy.



Social:
**For all Toyota Boshoku Members Work Vibrantly
and Create innovations**

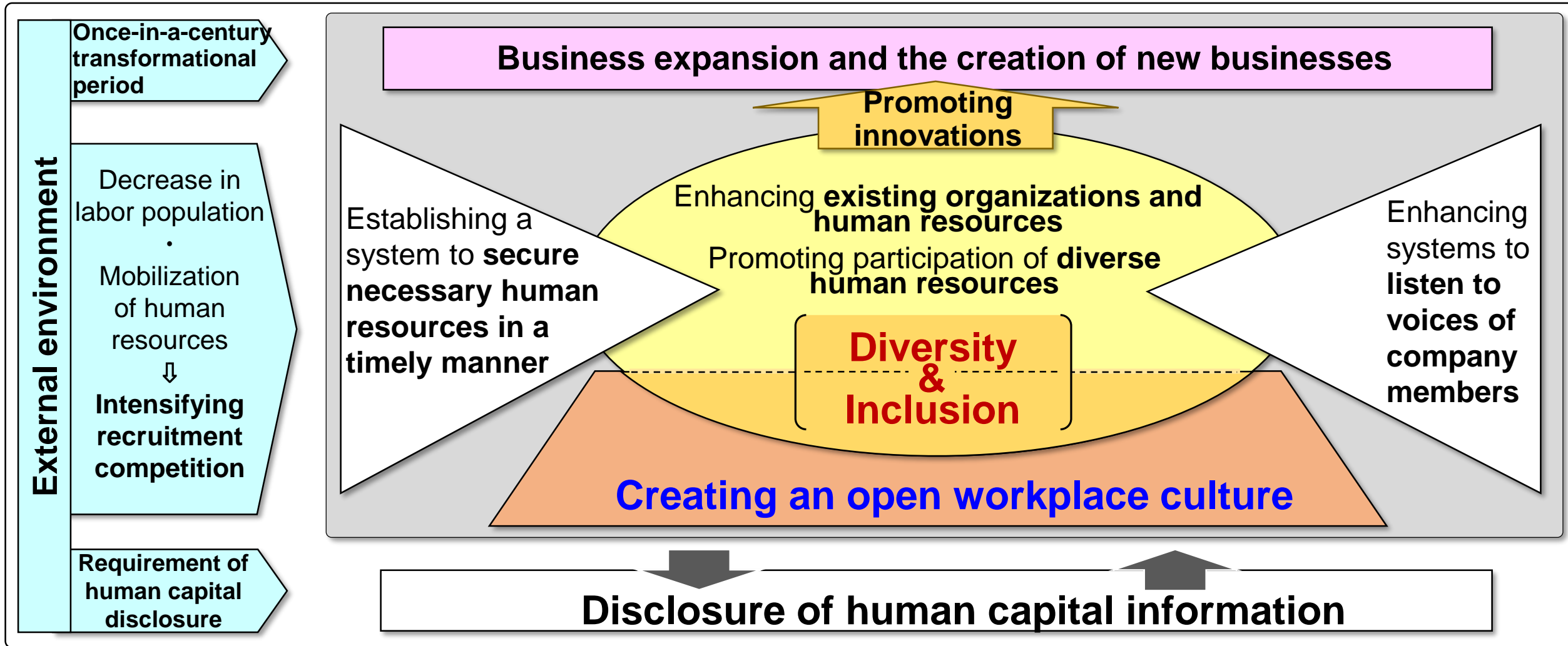


Script

I am Nagata, Chief Human Resources Officer.

I would like to explain our initiatives for human resources development.

1. Overview of personnel strategies



Organized the personnel strategies to realize our desired status for 2030

Script

This is an overview of our personnel strategies to realize our desired status for 2030.

The automobile industry is now experiencing a once-in-a-century transformational period. A decrease in the labor population and other factors are likely to make it even more difficult for us to secure necessary resources.

By introducing new recruitment method that is not an extension of the conventional method, we will establish a system to secure necessary resources on a global and timely manner.

We will reinforce care for company members by optimizing management spans and make active investment in human resources, thereby enhancing our organizations and human resources.

Moreover, by fostering an open workplace culture in which all members can frankly express their opinions, we will promote active participation of diverse human resources. The HR Division will thus contribute to business expansion and the creation of new businesses.

2. Diversity & Inclusion (D&I)

Outline of the GHR Platform (global common HR system)

	RSC Regional Succession Committee	GSC Global Succession Committee	GSCT Global Succession Committee by Top Executives
Detail	Forums for global discussions on human resources development and optimal assignment		
Subjects of discussion	Segment / regional Manager or higher level	Global presidents of business entities, top functional posts, general managers or higher level	Candidates for officers
	G0/G1 G2 G3	G0/G1 G2 G3	G0/G1 Candidates for officers G2 G3

<Women empowerment working group>



<Global executive training>



<Training for managers on prevention of harassment>



Promoting active participation of diverse human resources through D&I and the creation of an open workplace culture

Script

Next, let me introduce an initiative of Diversity & Inclusion.

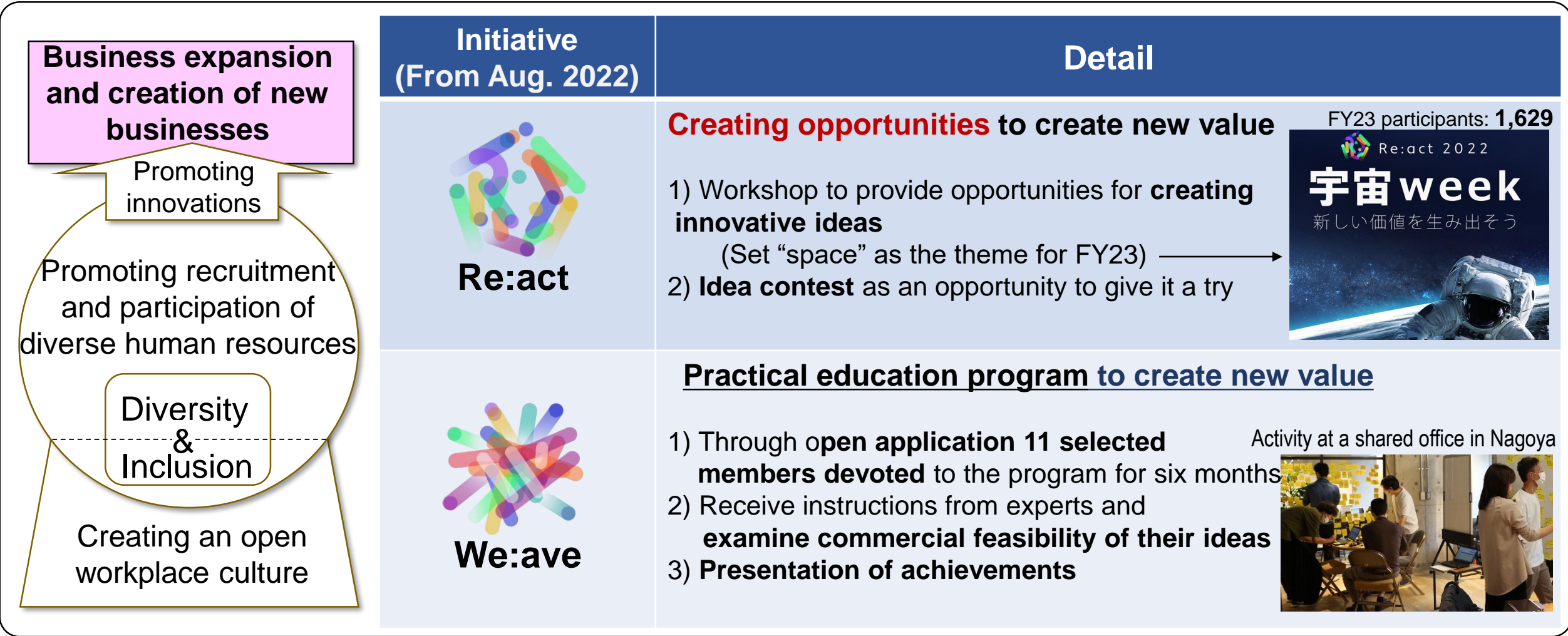
At Toyota Boshoku, diverse people, including women, foreigners, seniors, and those with disabilities, are working. It is necessary to allow these diverse human resources to play more active roles.

So far, we have established a global common personnel grading system, held discussions across regional boundaries on human resources development and optimal assignment, and conducted global executive training for candidates of officers.

In Japan, to encourage all company members to play more active roles, we have established frameworks to listen to honest opinions of company members or discuss measures to promote active participation, such as the women empowerment working group.

In order to leverage diversity as our strength in the future, it is necessary to create an open workplace culture in which all members can frankly express their opinions. This fiscal year, as the first step, we are conducting training on harassment prevention for all the managers, so as to ensure that they are able to provide necessary instructions while paying attention to harassment prevention.

3. Innovative Ability Enhancement Program



Through the Innovative Ability Enhancement Program, develop human resources for business expansion and the creation of new businesses

Script

In August this year, we launched two projects under the Innovative Ability Enhancement Program.

First is Re:act. As an opportunity to create new value, we held the Space Week. A total of 183 company members across segments spontaneously participated in the program to think about the theme “what would you do if you move to Mars?” with full of imagination.

Second is We:ave. The 11 participants who have passed a presentation screening are separated from their daily operations for six months, receive instructions from experts, and work on commercialization of their ideas.

Through these projects, we are working to develop human resources for business expansion and the creation of new businesses.



Governance: Aiming to Be a Transparent and Fair Company



Script

Finally from Shirayanagi, we would like to explain about our governance.

1. Initiatives to enhance governance

Fair and transparent company



Initiatives in red: to be explained today

1) Improve effectiveness of Board of Directors

- 1 Ensure members diversity
 - 2 Enhance agenda for Board of Directors
 - 3 Enhance support for outside officers
- etc.

2) Enhance compliance system

- 1 Improve whistleblowing system
 - 2 Initiatives for human rights
 - 3 Strengthen dissemination and practical application of the Code of Conduct
- etc.

3) Enhance risk management system

- 1 Risk Management Promotion Meeting
 - 2 Strengthen information security
 - 3 Initiatives for DX
- etc.

Aiming to be a fair and transparent company through initiatives to enhance governance

Script

We aim to become a fair and transparent company by enhancing governance, which is the foundation for our sustainable growth.

Specifically, we are working to improve the effectiveness of the Board of Directors, enhance our compliance system, and enhance our risk management system.

Today, I would like to explain the initiatives for ensuring diversity, enhancing agenda of the Board of Directors, improving the whistle-blowing system, and the Risk Management Promotion Meeting.

1) Improve effectiveness of the Board of Directors

1 Ensure members diversity

Board of Directors skill matrix		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
Position	Name											
Independent Outside Director	Akihiro Koyama			●					●	●	●	
Independent Outside Director	Junko Shiokawa			●	●				●		●	
Independent Outside Director	Takafumi Seto			●		●	●			●		●
Independent Outside Director	Kenichiro Ito		●	●	●				●	●		
Chairman	Shuhei Toyoda	●	●	●	●	●	●	●				
Vice Chairman	Naoki Miyazaki	●	●	●	●				●	●	●	●
President	Masayoshi Shirayanagi	●	●	●	●			●	●			●
Director, Operating Officer	Takashi Yamamoto	●	●	●		●	●					●
Director, Operating Officer	Shunichi Iwamori		●	●	●			●	●			●

Composed of members with extensive experience and broad insight

Script

The Board of Directors is composed of a total of nine members: four outside directors and five internal directors.

To ensure diversity,
it is composed of members with extensive experience and broad insight.

1) Improve effectiveness of the Board of Directors

1 Ensure members diversity

Akihiro Koyama

Research into corporate finance, corporate governance, etc. and **expert knowledge in corporate management** from a global perspective

Professor, Faculty of Economics, Gakushuin University



Junko Shiokawa

Broad insight as a lawyer on global cases related to investment funds, finance, cross-border M&A, etc.

Consultant at Hong Kong Office, Conyers Dill & Pearman



Takafumi Seto

Scientific insights regarding pioneering research for future society in conjunction with diverse engineering knowledge and skills

Professor, Faculty of Frontier Engineering, Institute of Science and Engineering, Kanazawa University



Kenichiro Ito

Extensive international experience of serving as an executive officer in various regions and **broad knowledge of the human resources and finance divisions**

Member of the Board of Directors, DENSO CORPORATION



Supervising the adequacy of management with professional expertise and insights of outside directors

Script

Our outside directors have expertise and utilize their professional perspectives to supervise the adequacy of management.

For example, Director Seto objectively points out the strengths and weaknesses of our product technology based on his scientific knowledge as an engineering professor. He also gives us advice not only on individual products, but also on how to combine products to make them more effective.

Furthermore, Director Shiokawa has advised us on investment projects and intellectual property strategies based on her experience as an internationally active corporate lawyer.

She also participated in the women empowerment working group, as described on page 26, and gave us advice on what we need to enhance.

1) Improve effectiveness of the Board of Directors

2 Enhance agenda for Board of Directors

[Major agenda items for Board of Directors]

Statutory items

- Related to General Meeting of Shareholders
- Executive officers, organization, Directors' compensation
- Basic policy on the development of internal control systems
- Effectiveness assessment of the Board of Directors
- Operational status of whistle-blowing system

etc.

Business plans and strategies

- Formulation of global hoshin
- Formulation of Business Portfolio Policy
- Business advancement, alliances, and reorganization
- Risk management for COVID-19, cyber attacks, etc.
- Status of quality initiatives

etc.

ESG-related items

- Formulation of Sustainability Policy, Human Rights Policy
- Carbon neutrality initiatives
- Human resource development initiatives
- Intellectual property strategy, DX strategy
- Report on status of ESG KPIs

etc.

Enhance ESG-related agenda items and establish a system to comprehensively supervise management

Script

For the Board of Directors, we have established a system to enable comprehensive supervision of management by enhancing ESG-related agenda items, which are non-financial information, in addition to conventional “statutory items” and “business plans and strategies.”

2) Enhance compliance system

1 Whistle-blowing system improvement

Setting counseling windows for legal violations and internal misconduct at Toyota Boshoku and its subsidiaries

<Number of consultations from Toyota Boshoku and domestic subsidiaries>

(FY)	2018	2019	2020	2021	2022
Internal counselling window*1	134	152	107	163	190
Law firm counselling window*2	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 Consultation and reporting desk for issues such as compliance, violations of laws, regulations and company rules, and unfair practices

Increase visibility and reliability of the counselling windows to facilitate earlier discovery and resolution of issues

Script

To prevent corporate scandals, internal counselling windows and counselling windows by a law firm for consultations on legal violations, internal misconduct, etc., are placed at Toyota Boshoku and its subsidiaries in Japan.

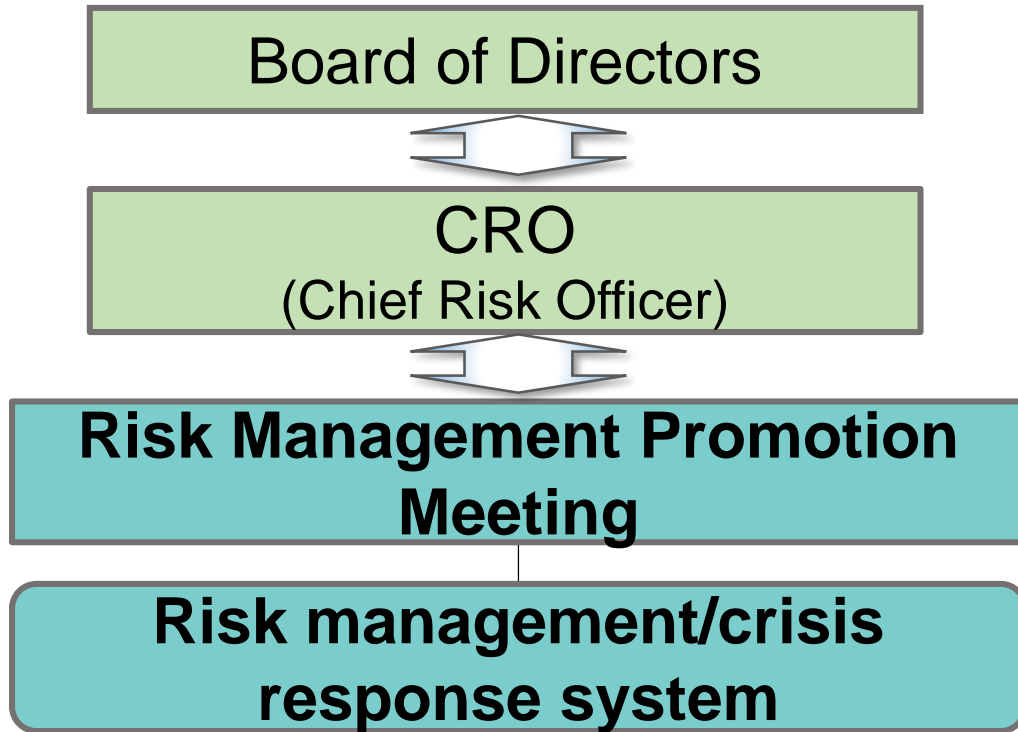
We have also set up similar windows for subsidiaries outside Japan, including regional common windows and those for individual companies, thereby creating an environment in which the interests of whistleblowers will not be harmed.

Through the Corporate Ethics Month and other programs, we have been working to improve company-wide recognition of the counselling windows, and the number of consultations is actually increasing. We will promote continuous improvements to our whistle-blowing system and improve visibility and reliability of the counselling windows, so as to facilitate early discovery and resolution of issues.

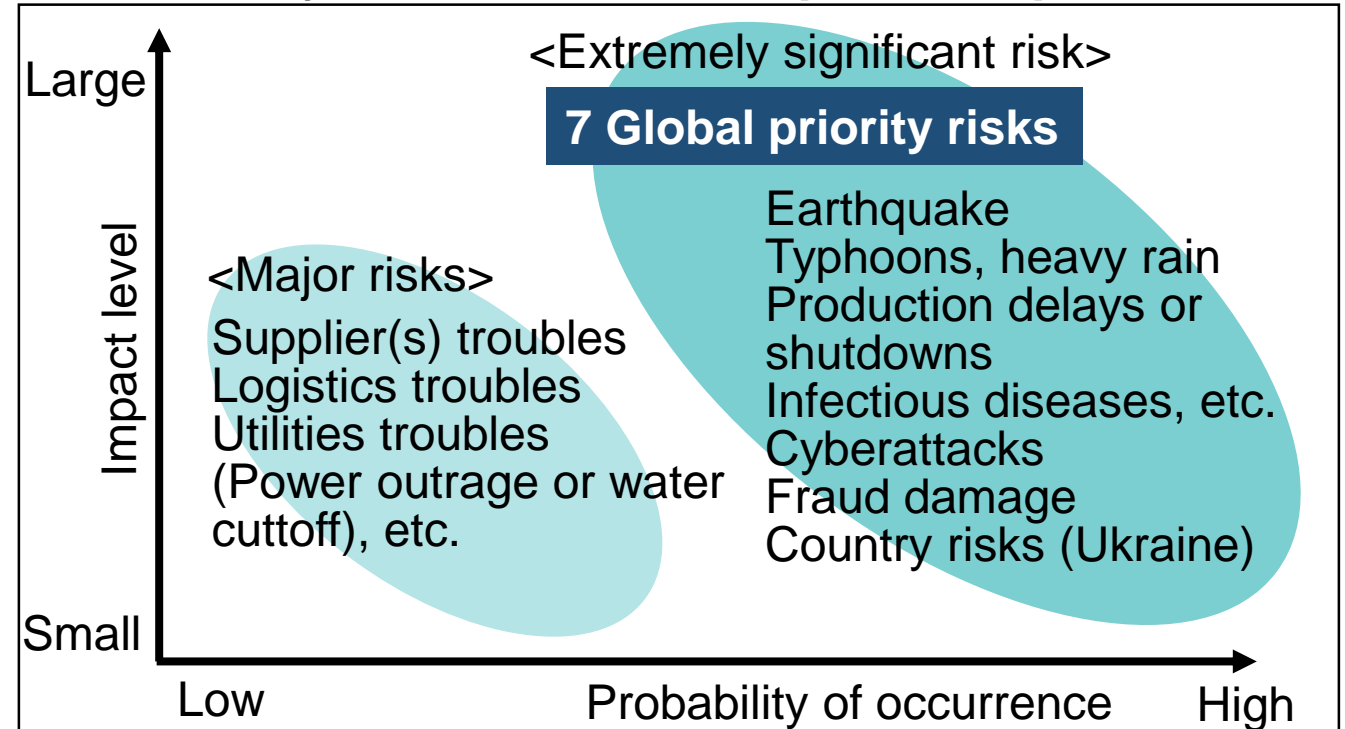
3) Enhance risk management system

1 Risk Management Promotion Meeting

Established a risk management system centered on CRO to address new business risks that may affect business management



FY2023 Toyota Boshoku Group risk map



Through internal sharing of risks, including management, based on the risk map, we aim to prevent risks and minimize damage in case of a crisis

Script

In order to address recent business risks that have impact on our business management, such as the COVID-19 pandemic and cyberattacks, we have established a risk management system centered on CRO.

In the framework of risk management, risks are identified at Risk Management Promotion Meetings, a risk map containing global priority risks is formulated, and effective risk management activities are implemented. Based on the risk map, risk information is shared within the company, including management, with the aim of preventing risks and minimizing damage in case of a crisis.

These initiatives to enhance risk the management system are reported at the Board of Directors.

Open the door! Tackle the challenges
together to a new century.



TOYOTA BOSHOKU

Script

These are all explanations of our ESG initiatives.

Toward achieving its Vision, we will steadily implement the 2025 Mid-term Business Plan. Aiming to become a company that is continuously needed by society, we will work to improve our corporate value with a view to realizing sustainable growth.

I would like to ask you for continuous understanding and cooperation.

ESG KPI 25 evaluation items

ESG KPIs related to initiatives presented today

E (Environmental)					S (Social)					Governance				
NO.	KPI evaluation items	FY2022 results	Target		NO.	KPI evaluation items	FY2022 results	Target		NO.	KPI evaluation items	FY2022 results	Target	
			FY26	FY31				FY26	FY31				FY26	FY31
1	Production CO ₂ emissions reduction ratio (compared to FY2014)	Reduction of 1.6%	Reduction of 25%	Reduction of 50%	8	Number of patent applications	221	320/year	500/year	18	Number of environmental abnormalities and complaints	0	0	←
2	Renewable energy installation ratio	3.7%	15%	40%	9	Number of external presentations and papers	61	90/year	120/year	19	Number of serious cyber security incidents	-	0	←
3	CO ₂ emissions ratio in logistics (compared to FY2012)	Reduction of 36%	Reduction of 14%	Reduction of 20%	10	Rate of new product development leading to Interior Space Creator	50%	65%	75%	20	DX certification	-	DX-Excellent company	←
4	Waste emissions reduction ratio (compared to FY2012)	Reduction of 17.9%	Reduction of 14%	Reduction of 20%	11	Ratio of vehicles that are expected to use products that contribute to traffic safety	-	20%	50%	21	Number of violations of antitrust laws	0	0	←
5	Water consumption reduction ratio (compared to FY2014)	Reduction of 24.6%	Reduction of 6%	Reduction of 8%	12	Number of participants in social contribution activities	total 1,067	total 2,000	←	22	Number of violations of anti-bribery laws	0	0	←
6	Symbiosis with nature (number of trees planted)	50k	Cumulative 640k	Cumulative 770k	13	Degree of implementation of the Code of Conduct	78%	100%	←	23	Response to human rights risks in the supply chain (development of human rights due diligence)	-	Expansion ratio 100%	←
7	Ratio of sales of unit components of electrified products that will lead to minimization of environmental impact	4.2%	10%	45%	14	Number of stress checks conducted for all employees	1/year	1/year	←	24	External awards from customers	11 projects	5	←
					15	Health checkup rate	99.9%	100%	←	25	Compliance with timely and appropriate disclosure	100%	100%	←
					16	Number of serious accidents involving company members	0	0	←					
					17	Number of serious accidents involving outside contractors and visitors	0	0	←					

Sources for P18

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