



TSE Prime Market; Securities Code: 3116

FY2022 (Year ending March 2022)

Business Briefing

Date: May 16, 2022



Corolla Cross



Winning the Deming Prize



MX221

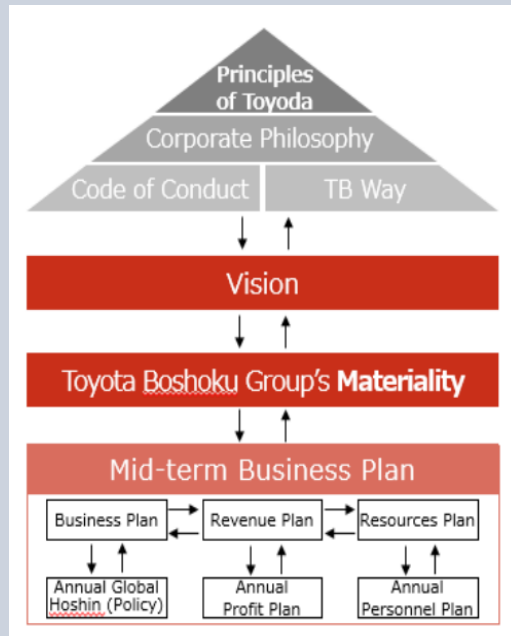
- ◆ Hello everyone. I'm Takeshi Numa.
I would like to thank you for taking time out of your busy schedule to participate in today's briefing.
- ◆ I would like to start by thanking everyone involved in measures to prevent the spread of COVID-19, and all of you stakeholders working hard on a daily basis, mainly in the supply of materials, dealing with distribution issues and addressing changes in production plans.
- ◆ In FY2022, our earnings results were severe, primarily due to soaring materials prices and a breakdown in distribution reflecting high crude oil prices globally, as well as the surfacing of impact from global turmoil. However, we were somehow able to forecast an upturn in earnings when we announced our third quarter earnings results.
- ◆ I will now present a summary of our business operations.

1. Management Concept

CSV (Creating Shared Value) management that pursues both social value and economic value.

Sustainability Policy

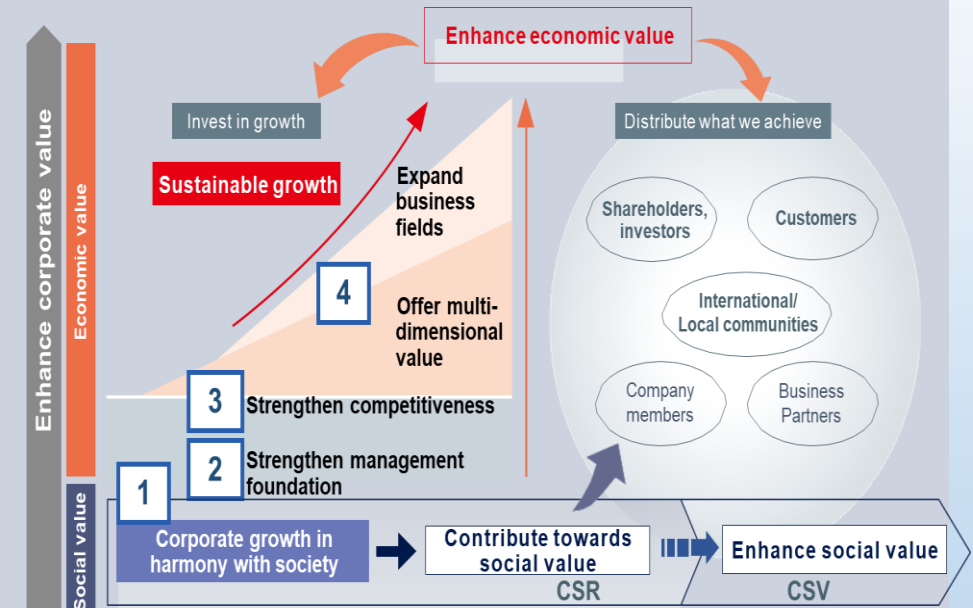
1. Management Concept



2. Materiality



3. The management structure we aim to become



Resolving social issues through our group's operations, "for the world and for people" ⇒ Implementing CSV management

- ◆First, I would like to discuss business concepts and philosophy.
- ◆We are undertaking measures in good faith to solve social issues for both people and society in general. It is our belief that we must become an “ongoing concern that is needed by the world.”
- ◆In accordance with the “Principles of Toyoda” created by founder Sakichi Toyota, Toyota Boshoku established the Toyota Boshoku Group’s materiality. In addition to realizing stakeholder return owing to the results of social and economic value through our business activities, we also are systemizing our CSV management concept, which aims to improve corporate value through reinvestment in growth. Accordingly, in November 2021, we announced the Sustainability Policy, which is comprised of our “Corporate Philosophy, “Materiality,” and “management vision.”

2. Actions for FY2022

(100 million yen)

	FY2022 initial plan
Revenue	14,000
Operating profit	720
Operating profit margin	5.1%
ROE	13.3%
Equity ratio	41.3%
Net asset	4,060
Dividend payout ratio	25.4%
Capital investment	500
R&D costs	420

Actions for FY2022

① Actions to improve earnings power

- a. Strengthen capability to respond to fluctuations in demand
- b. Execute loss-free launch of new products and measures that will secure earnings without fail
- c. Localize parts procurement globally and implement conversion to several production sites
- d. Optimal production and supply through production restructuring

② Actions for the future

- e. Transfer sales rights for automobile seat frame mechanism parts
- f. In collaboration with six Toyota Group companies, exhibit the MX221 at CES
- g. Participates in demonstration that provide a “service for new mobility experiences on the move”

Execute actions to improve earnings power to achieve goals. In addition, implement actions for the future.

- ◆ In FY2022, the external environment was harsh. However, as the first year of the 2025 Mid-term Business Plan, we executed the actions you see here. I will explain this from the next page onward.

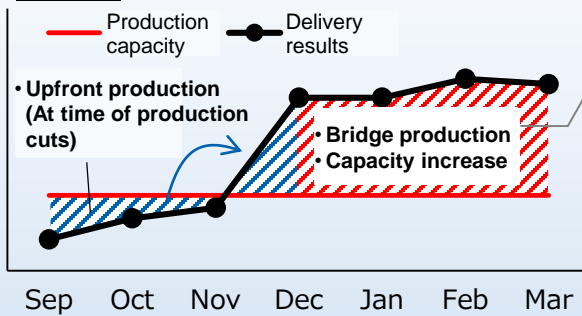
2. Actions for FY2022

a. Strengthen capability to respond to fluctuations in demand

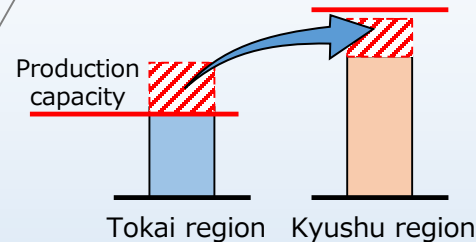
(1) Deal with fluctuations in production due to natural disasters and infections

◆ Supplement production cutting across regions

Tokai region ES seat cover production volume



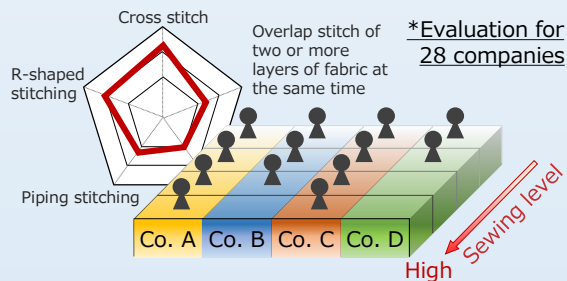
[Example] Bridge production in the Kyushu region



Compensate for over-capacity by supplementing production in the Kyushu region

◆ Labor support cutting across regions

Centralized management of the TB Group's skill evaluation (sewing)



Mutual help with one phone call

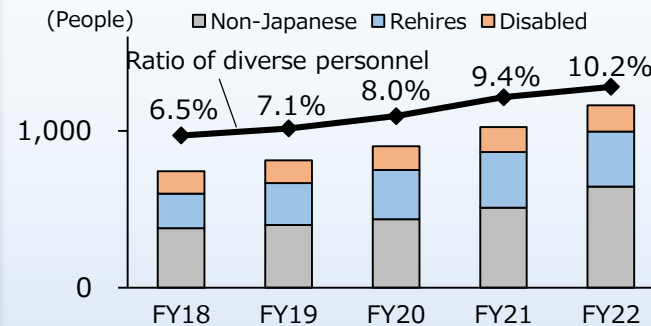


Efficient human resources support

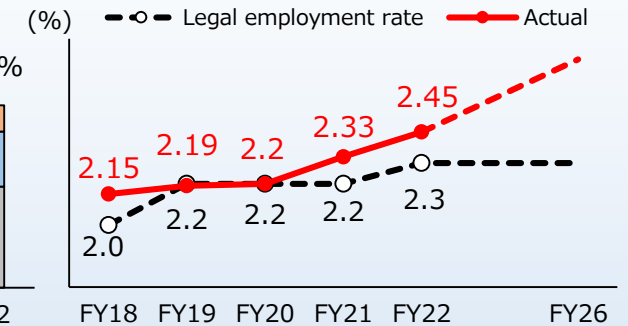
Address changes in the environment of the overall supply chain

(2) Implement the creation of user-friendly processes and environment

Trends in TBJ diverse personnel



Trends in ratio of employees with disabilities



Establish a comfortable workplace environment for diverse personnel to handle change

[Example of an expansion of diversity processes at production sites]

Process handled by the hearing impaired



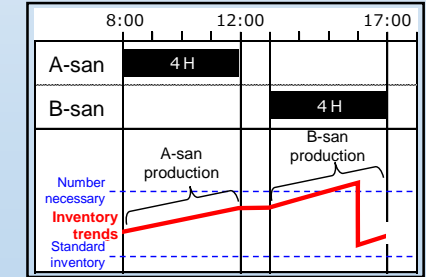
Electronic signage installation

Process in which seniors can also participate



Lines where it is possible to sit while working

Child-rearing line



Cell process line that accommodates short work hours

Become a selected plant by promoting the creation of worker-friendly processes

- ◆ a. As actions to strengthen our capability to respond to fluctuations in demand,
(1) we flexibly addressed changes in the environment in the overall supply chain, including bridge product across regions and providing human support that utilized a skill map.
- ◆ In addition, (2) In preparation for fluctuations in production, we implemented the development of user-friendly processes and a production environment, and aim to realize a workplace that diverse personnel supporting our production activities will say is comfortable. Furthermore, we aim to tackle the expansion of diversity processes in the production frontlines.

2. Actions for FY2022

b. Execute loss-free launch of new products and measures that will secure earnings without fail

(1) Smooth launch of global car models to achieve cost target goal

◆ Form a monozukuri team (mainly target plants)

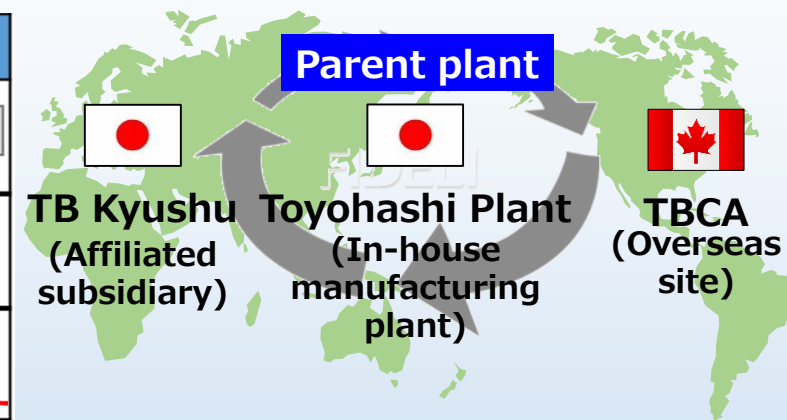
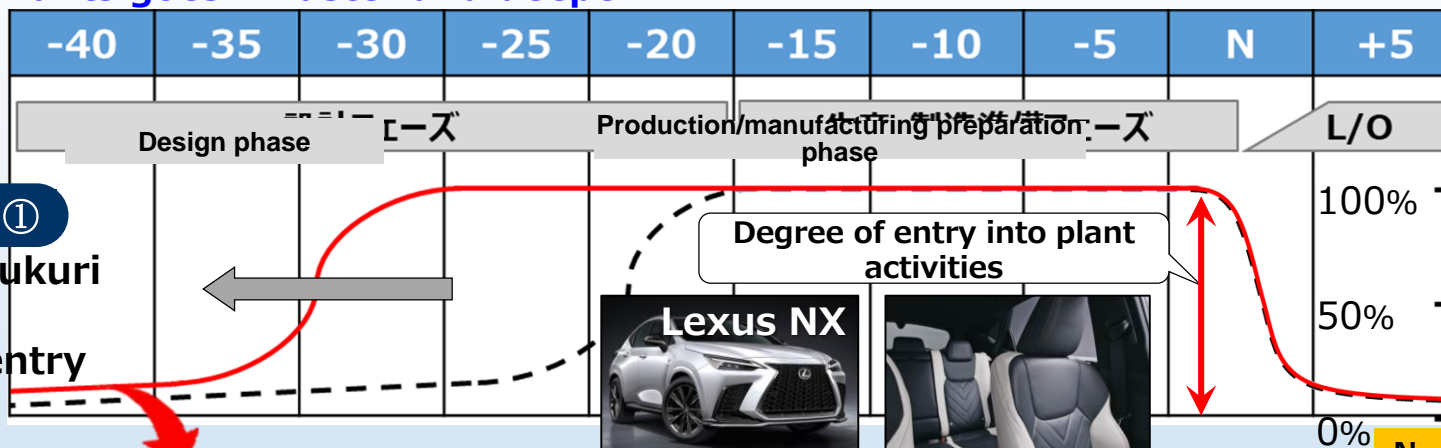
➔ Plants goes in faster and deeper

Point ③

Launch in stages at 3 plants

➔ Parent plant to support latecomer countries

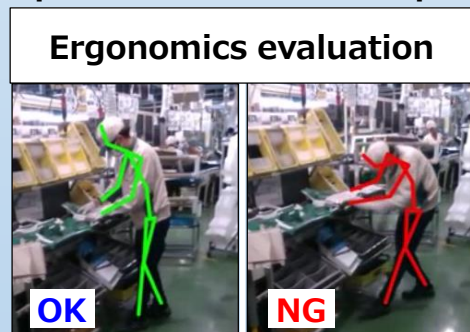
Point ①
Monozukuri team
Early entry



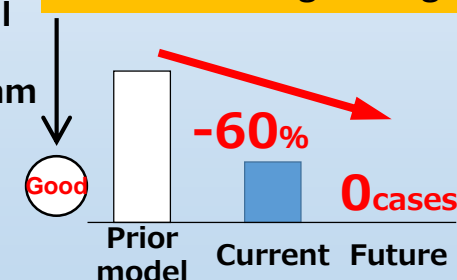
Point ②

Improve degree of perfection of diagrams by running digital and physical simulations

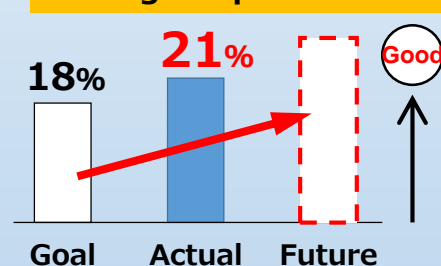
➔ Steadily incorporate monozukuri requirements into the product diagram



Number of design changes



Marginal profit ratio



Quickly extract issues at subject plant and implement cost reduction activities

➔ Reduce reworking loss, achieve marginal profit goal

- ◆ b. As an example of a loss-free product launch, I will introduce actions aimed at the smooth launch of global automobile models.
- ◆ The three points in this action are ① the formation of a monozukuri team by a plant itself at the SE stage; ② the steady incorporation of monozukuri requirement into product blueprints by integrating product simulations for duplicated production processes using digital tools and cardboard; and ③ the parent plant in Japan becomes the main constituent that supports affiliates and overseas business sites to implement a gradual launch at three plants in Japan and overseas.
- ◆ Consequently, we achieved our marginal profit goal by reducing our reworking loss. Going forward, we aim to tackle even higher targets while expanding this action.

2. Actions for FY2022

c. Localize parts procurement globally and implement conversion to multiple production sites

(1) Localize procurement in the Tohoku region

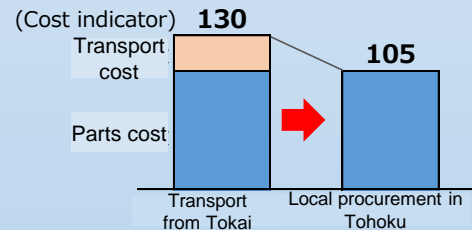
Collaborate with customers and Tohoku region suppliers in other industries to build a parts supply system in the Tohoku region

[Localize procurement of parts]

(1) Sophisticatedly designed piano black-coated parts



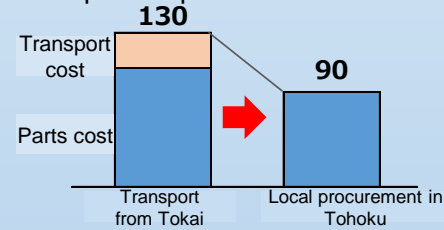
Miyagi Prefecture: Light electrical resin parts manufacturer



(2) Resin seat parts

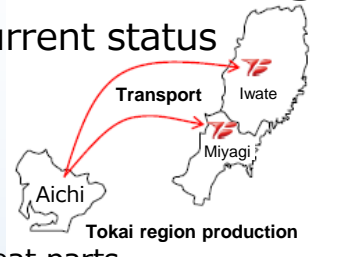


Iwate Prefecture: Farming equipment plastic parts manufacturer



Strengthen infrastructure by discovering and training suppliers with a competitive edge

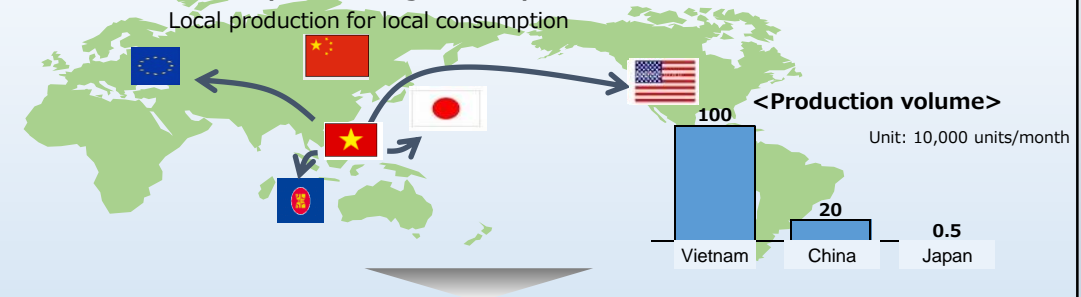
Current status



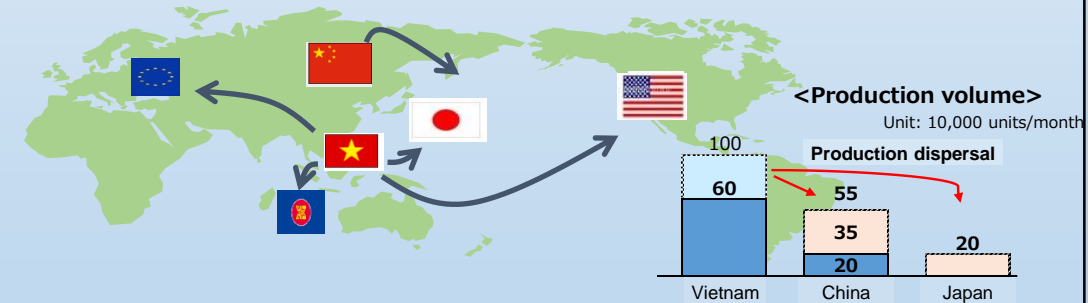
(2) Reduce supply risk by converting production to multiple sites

Convert to multiple production sites due to supply concerns reflecting COVID-19 in Southeast Asia

[Current status] Supply to each country from production at the Vietnam site (excluding China)



[Risk reduction] Disperse production in Vietnam, China and Japan



Realize stable supply by dispersing production sites

Script

- ◆ c. I will now introduce examples of measures to convert to multiple sites for the localization of procurement globally and the stable supply of parts.
- ◆ (1) This is an example of an action in the Tohoku region. We built a parts supply system via collaborations with customers and suppliers from other industries in the Tohoku region. We also implemented the localization of procurement with parts manufacturers that have no experience in automobile parts. We also aim to realize carbon neutrality going forward. To this end, we plan to expand our discovery and training of competitive suppliers, taking into account LCA SCOPE3 distribution.
- ◆ (2) The second example is the localization of procurement that aims at reducing supply risks in Southeast Asia. Supply concerns arose due to the COVID-19 lockdown regarding parts that were intensively produced at the Vietnam site. From the standpoint of risk reduction, we dispersed production to production sites in Vietnam, China and Japan. We aim to realize a stable production system by converting to multiple production sites for intensively produced parts.

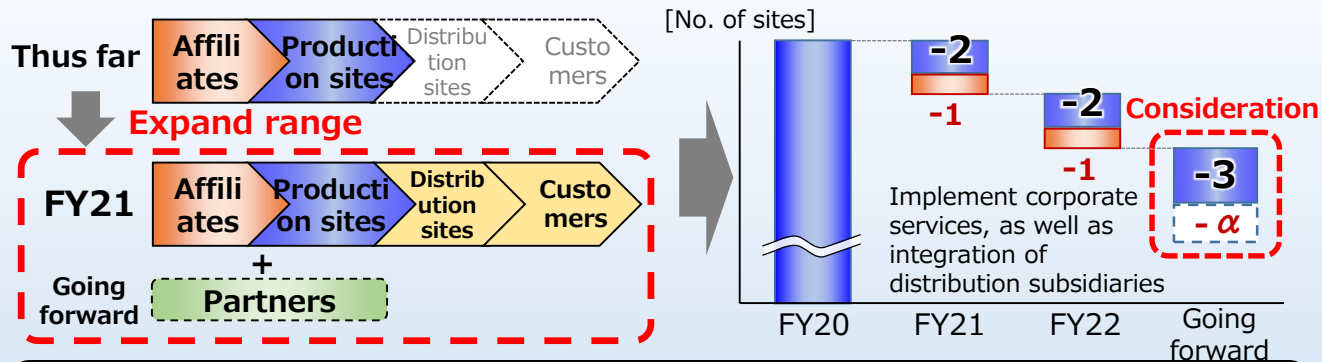
2. Actions for FY2022

d. Optimal production and supply through production restructuring

(1) Actions in the Japan region

- ◆ Expand framework to comprehensive restructuring in the supply chain overall

Scope of supply chain & restructuring Results of streamlining of sites



Example of streamlining of sites



[Progress] Completed streamlining of a cumulative total of six sites up to FY2022 (including affiliates)

[Restructuring benefits] About JPY1.2 billion/year cost reduction

(2) Actions in the Americas

- ◆ Implementing process restructuring in the Indiana, Illinois and Kentucky regions

Process	Seats			Door trim		
	Pressing/welding S/A	Welding Assy	Seat Assy	Middle board (rolling surface skin on base metal)	Upper board (Vacuum forming)	Door Assy
FY21	Tennessee region	Illinois region Indiana region		Kentucky region	Indiana region Illinois region	
FY22		Completed			Completed	
FY23 (Plan)	Complete			Complete		

[Progress] FY2022 restructuring plan: 50% complete

[Restructuring benefit] Working toward goal of a personnel reduction of about 15%

Plan to complete restructuring by FY2023 through considering streamlining of sites and integrating processes → Improve BEP in the future

- ◆ Regarding d. optimal production and supply through production restructuring,
 - (1) In Japan, we plan to complete the scale down of six sites, including affiliates, not only at Toyota Boshoku production sites and affiliates, but also distribution sites, and also by expanding the framework to include customers.
Going forward, we plan to tackle the overall supply chain, which includes business partners.
 - (2) In the Americas, we completed the consolidation of processes in FY2022 by implementing the planned integration of the seat welding and assembly process in the Indiana region into Tennessee, and the door production processes in Indiana into the Kentucky region. We are currently implementing the restructuring of processes in the Americas for completion in FY2023.
- ◆ Once restructuring is completed in Japan and the US in FY2023, we plan to enhance the competitiveness of our monozukuri, including the improvement of our break-even points in each region and at each site going forward.

2. Actions for FY2022

e. Transfer sales rights* for automobile seat frame mechanism parts

*Sales rights are based on contractual status

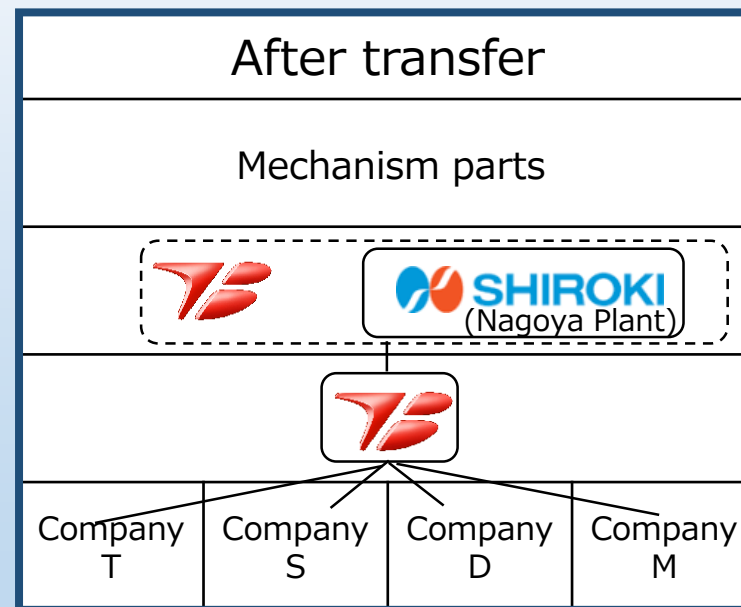
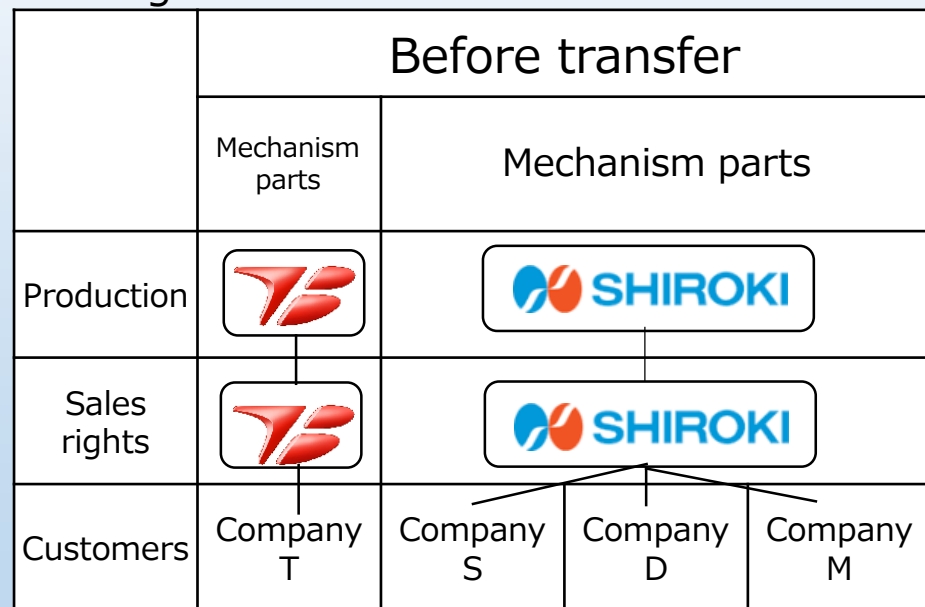
(1) Transfer of sales rights

Agreed with Companies S, D and M of Shiroki Corporation to acquire sales rights for automobile seat frame mechanism components

(2) Transfer of production

Considering the transfer of production functions to Toyota Boshoku of the Shiroki Nagoya Plant, which is the main domestic automobile seat frame mechanism parts production site of the Aisin Group

Image



Enhance the efficiency of development and production by integrating and securing volume mechanism components which are possessed by each company respectively

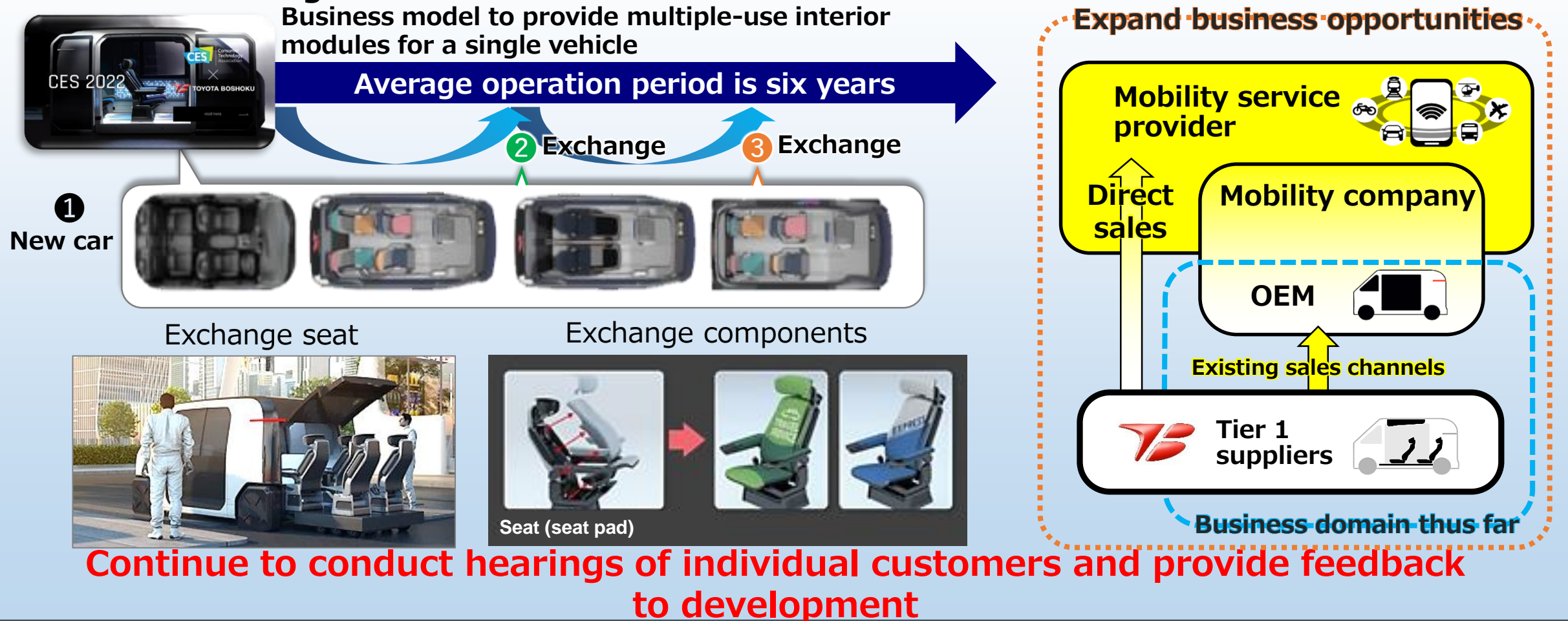
- ◆ Regarding (1) e. Transfer sales rights for automobile seat frame mechanism parts, which was announced on March 1, 2022, we agreed with Companies S, D and M of the Shiroki Corporation on the acquisition of sales rights.
- ◆ In addition, concerning (2) the transfer of production, we are considering direction of transfer of the Shiroki Nagoya Plant, a domestic production site of the Aisin Group that mainly manufactures seat frame mechanism parts, to Toyota Boshoku.
- ◆ Through these measures, we plan to enhance the efficiency of development and production by integrating and securing volume mechanism parts which are possessed by each company respectively.

2. Actions for FY2022

f. In collaboration with six Toyota Group companies, exhibit the MX221at CES online*

*Restricted to online exhibition due to the spread of the Omicron virus in the US

Commercialize and promote sales expansion of an exchangeable interior system for the ride sharing market



- ◆ Regarding f. as an Interior Space Creator, we implemented the second stage of our collaboration project with six Toyota Group companies. In addition to owned cars, which was a strategic domain thus far, we developed MX221 for the new ride share domain, in tandem with changes in values, and unveiled MX221 at CES 2022.
- ◆ Reflecting the needs of ride share service providers, we plan to continually supply a comfortable travel time and space for customers by constantly maintaining the cleanliness of ride-share vehicles with exchangeable interior systems and by providing new functions.
- ◆ We aim to expand our business in the MaaS market by simply equipping a single vehicle with several interior modules and changeable functions for grade management from economy to premium class and by updating modules and functions.

2. Actions for FY2022

g. Participates in demonstration that provide a
「service for new mobility experiences on the move」

Mobility service space for mobility and entertainment

FY21-22

Market receptivity/value verification

FY21 Aichi Prefecture verification (MOOX)



FY22 Aichi Prefecture verification (FCEV coaster)



FY22 Odaiba, Tokyo verification (e-Palette)



Enhance new experience value for mobility

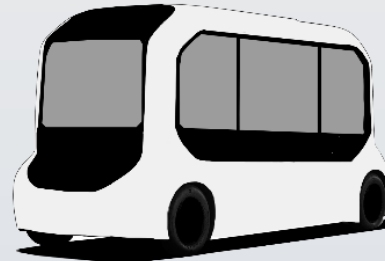
Establish integrated control for vehicles that carry multiple passengers

Confirm receptivity, mainly of immersive entertainment contents

FY23

Develop multimedia control system

Manufacturing for implementation

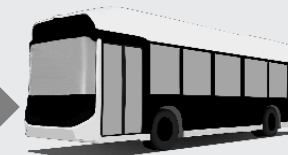


Develop software and hardware suited for embedding on-board

Example: Content display control Interior description structure

FY24

Operation



FY25

Sales expansion



Tourist shuttle bus interior
Entertainment content business

Demonstration test



Trial run



Theme park tour
Ride attraction business

For public roads

For private roads

Confirm receptivity of mobility service space transition to infrastructure system development for implementation

- ◆ Regarding the g. provision of a “service for new mobility experiences on the move,” one action as an Interior Space Creator, envisaging the MaaS market, we enhanced the value of experiences using MOOX, and in FY2022 participated in demonstration tests for FCEV coasters and e-Palettes with the goal of verifying market receptivity.
- ◆ Consequently, we received high praise from more than 80% of customers for degree of immersion into entertainment contents from among the roughly 200 people that took a test ride.

We estimate social implementation will finally be realized in FY2023. We plan to embark on the development of software and hardware that is adapted for versatile use in vehicles.

2. Actions for FY2022

Measures for solving social issues (Summary of ESG activities)

(1) E <Environment>

Targeting achievement of the 2050 Environmental Vision

- 1) Toyota Boshoku Group's zero CO₂ emission challenge
Newly established goal of reducing CO₂ emissions 50% by 2030(Compared to FY2014) to realize carbon neutrality (previous goal: 38% reduction)

<Example of FY2022 actions>

Plant results for introducing green energy:

Kariya, Sanage, Toyohashi Kita/Minami Plants, Toyota Boshoku Shiga, Toyota Boshoku Hanoi (Vietnam), Toyota Boshoku FST (Thailand)

- 2) Disclose TCFD scenario analysis
Implement and disclose a scenario analysis (transition and physical risk) to strengthen information disclosure based on the TCFD* proposal

*Task Force on Climate-Related Financial Disclosures

(2) S <Society>

- 1) Reforestation activities 2050—challenge to plant 1.32 million trees

FY2022 results: 50,000 trees (number of trees planted cumulatively thus far: 580,000)

- 2) Certified as an Excellent Enterprise of Health and Productivity Management 2022 (White 500):

Define Health Challenge Eight*, and implement actions that will contribute to an improvement in individual healthy actions and health awareness

- Health Challenge Eight—eight items: ① Suitable weight, ② Breakfast, ③ Alcohol, ④ Snacks, ⑤ Quit smoking, ⑥ Exercise, ⑦ Sleep, and ⑧ Stress



(3) G <Governance>

- 1) Announced Basic Policy to revise the CGC* (December 2021)

*CGC: Corporate Governance Code

- ① Sustainability Policy, ② Human Rights Policy, ③ Business Portfolio Policy

- 2) Certification as a company that responds to the "Digital Governance Code"(DX certified company)

- 3) Establish ESG KPI:

Set 25 items by revising conventional stakeholder and CSR KPIs to strengthen monitoring of ESG activities → Refer to page 14 for details

Accelerating ESG activities, including environmental response, and disclosure of human rights policy and sustainability policy

Script

- ◆ First, as actions to solve social issues, I will introduce the implementation of ESG activities.
- ◆ (1) In environment (E), we revised our 2030 CO₂ emissions reduction goal, which is a part of our challenge to realize zero CO₂ emissions, from a prior 38% to 50%, to achieve our 2050 Environmental Vision.

In addition, to strengthen our information disclosure based on recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), we released our scenario analysis for transition risk (1.5-2°C) and physical risk (4°C), and introduced clean energy at 7 plants.

- ◆ (2) In society (S), we aim to plant 1.32 million trees by 2050 through reforestation activities. In 2021, we planted 50,000 trees. In addition, to optimize the performance of each employee, we undertook Health Challenge Eight, an action that will contribute to the improvement of individual healthy actions and health awareness. For this we were certified as an Excellent Enterprise of Health and Productivity Management 2022 (White 500).
- ◆ (3) In governance (G), in December 2021 we announced basic policies for Sustainability Policy and Business Portfolio Policy in tandem with revisions to the Corporate Governance Code.
Moreover, we implemented actions using digital technologies that will contribute to business transformation. We were thus certified as a company (DX certified company) capable of responding to the “digital governance code.”
And to implement CSV management, we revised our previous stakeholder and CSR KPIs. We plan to set and accelerate the use of 25 items as ESG KPIs that will facilitate the measurement of materiality achievement by Toyota Boshoku.

2. Actions for FY2022

FY2022 financial results

(100 million yen)						
	FY2021		FY2022 results		Change	
Revenue	12,721	100.0%	14,214	100.0%	1,493	11.7%
Operating profit	571	4.5%	602	4.2%	31	5.6%
Profit before income taxes	573	4.5%	645	4.5%	71	12.5%
Profit*	311	2.5%	392	2.8%	80	25.9%

*Profit Attributable to Owners of the Parent

Earnings per share		166.93 yen	210.15 yen	
Exchange rate	USD	106 yen	112 yen	+6 yen
	EUR	124 yen	131 yen	+7 yen

Revenue

Revenue increased due to recovering demand from covid-19

Operating profit

Profit increased due to new product effects in addition to profit securing measures despite negative effects of upfront investment for the future and changes in the external environment

- ◆ As the result of actions carried out thus far, we posted revenue of 1 trillion, 421.4 billion yen, a rise of 149.3 billion year-on-year. Our operating profit totaled 60.2 billion yen, a growth of 3.1 billion yen.
- ◆ Profit before income taxes was 64.5 billion yen, a rise of 7.1 billion yen versus a year earlier. Net profit attributable to owners of the parent was 39.2 billion yen, an improvement of 8.0 billion yen.
- ◆ Given the harsh external environment, which included a production decrease due to COVID-19, as the first year of the Mid-term Business Plan, we undertook an action plan. Accordingly, we improved our earnings power and achieved a rise in revenue and profits year-on-year. This has given us the confidence needed to achieve goals going forward.

3. FY2023 Activities to Achieve the Mid-term Business Plan

FY2023 forecast and 2025 Mid-term Business Plan goals

(1) Financial goals

	(100 million yen)		
	FY2022 full-fiscal year results	FY2023 full-fiscal year forecast	FY2026 business goals
Revenue	14,214	15,700	16,000+α
Operating profit	602	780	1,000+α
Operation profit ratio	4.2%	5.0%	6~7%
ROE	10.9%	12.8%	10%-plus
Equity ratio	40.0%	41.1%	Around 40%
Net assets	4,238	4,647	4,000
Dividend payout ratio	30.5%	25.1%	Around 30%
Capital investment	383	660	(2021-2025 cumulatively) 2,500-plus
R&D costs	448	450	(2021-2025 cumulatively) 2,000-plus

Although it is difficult to forecast the external environment, performance in FY2023 is expected to outperform FY2022. We therefore reiterate our FY2026 business goals.

- ◆ In FY2023, the second fiscal year of the Mid-term Business Plan, we continue to envisage a difficult external environment, including soaring materials and transport costs, the risk of a decline in production due to COVID-19, and conditions in Europe. Despite this, by flexibly addressing changes in the environment, we plan to set goals that exceed performance in FY2022 and steadily undertake actions companywide to achieve management goals in FY2025 without fail.

3. FY2023 Activities to Achieve the Mid-term Business Plan

FY2023 full-fiscal year forecast & 2025 Mid-term Business Plan

(2) Non-financial goals **Set 25 items as ESG KPIs. Progressing smoothly toward achieving goals for FY2026 and FY2031**

Excerpt of items added to the previous stakeholder and CSR KPIs (Refer to reference materials (page 28) for details)

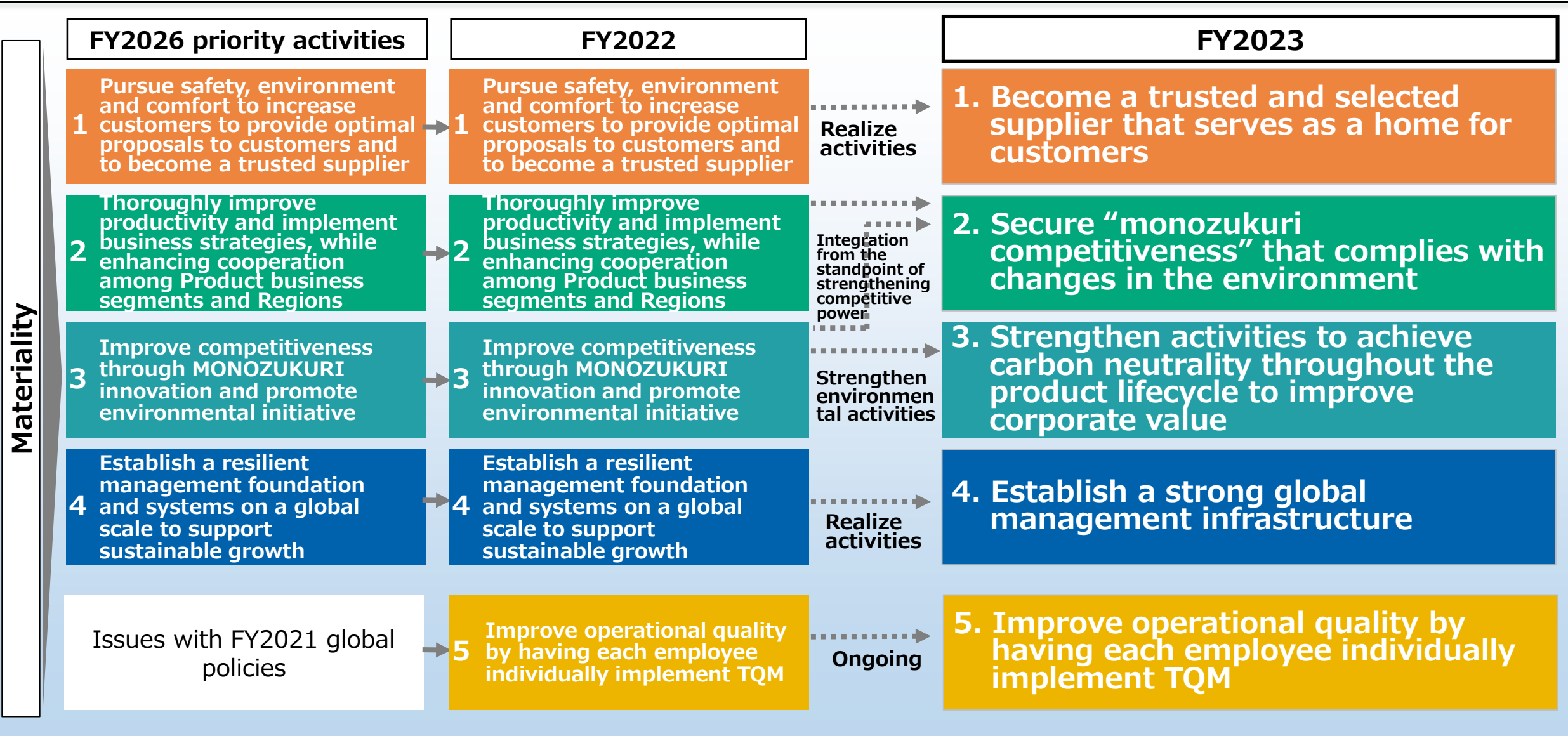
E (Environment)				S (Society)			G (Governance)		
	Item	Goal		Item	Goal		Item	Goal	
		FY2026	FY2031		FY2026	FY2031		FY2026	FY2031
Main KPIs	Renewable energy introduction ratio	15%	40%	Number of patent applications submitted	320 application s/year	500 applications/ year	Number of serious cyber security incidents that occurred	0	0
	Distribution CO2 emissions reduction ratio	-14% (compared to FY2012)	-20% (compared to FY2012)	Number of disclosures outside company/papers	90/year	120/year			
	Sales ratio for unit products for electrified products that contribute to minimizing environment impact	10%	45%	Ratio of development of new products that will contribute to interior space creator	65%	70%	DX certification	DX-Excellent company	DX-Excellent company
				Ratio of vehicle models scheduled to employ products that contribute to traffic safety	20%	50%	Addressing human rights risks in the supply chain (Deployment of human rights due diligence)	Deployment rate: 100%	Deployment rate: 100%

- ◆ Also, in addition to financial goals, which represent economic value, the 25 items touched upon on page 11 will serve as ESG KPIs for non-financial goals, which represent social value, and we revised our previous stakeholders and CSR KPIs, which will serve as a yardstick to measures the degree of achievement of materiality at the Toyota Boshoku Group.
- ◆ For instance, in environment (E), we added the renewable energy introduction rate, distribution CO2 emissions reduction rate and the sales ratio for electrification products as KPIs to measure the minimization of environment impact for Materiality 3.

In society (S), as an indicator to measure Materiality 1 we added the new product development rate that will contribute to Interior Space Creator and the ratio of vehicle models scheduled to employ products that contribute to traffic safety as a yardstick to measure Materiality 2.

In governance (G), we added the number of serious cyber security incidents, DX certifications, and addressing human rights risks in the supply chain.

3. FY2023 Activities to Achieve the Mid-term Business Plan



- ◆ From the next page onward I will explain actions 1 to 5 shown here and which are to be taken to achieve plans.

3. FY2023 Activities to Achieve the Mid-term Business Plan

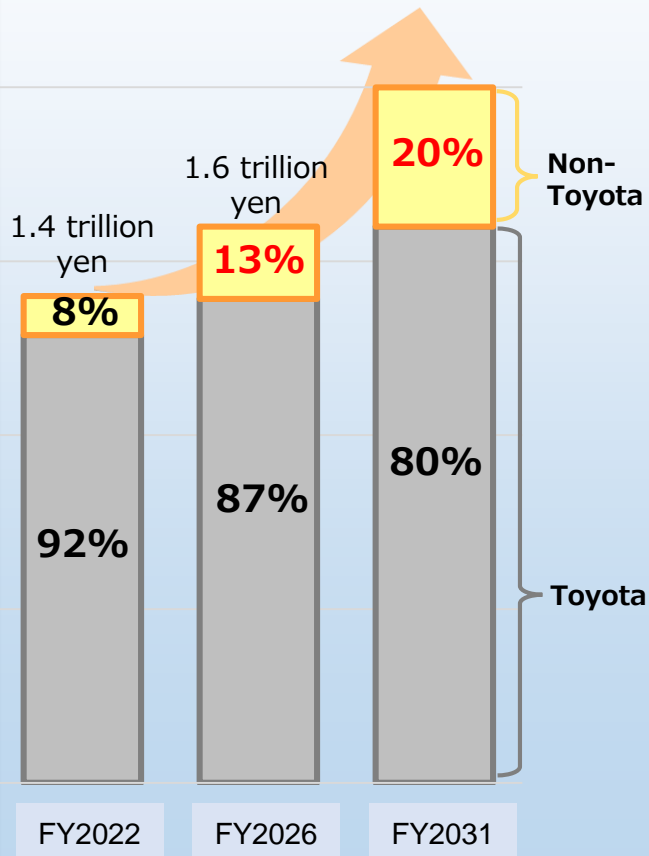
Activity No.1

(1) Position Toyota Alliance manufacturers as strategic OEMs and promote order-taking activities

Secure new orders from strategic OEMs as activities begin to bear fruit

<Examples of new orders> **New seat business orders in growth markets**

<Revenue target>



[Example 1] Company D

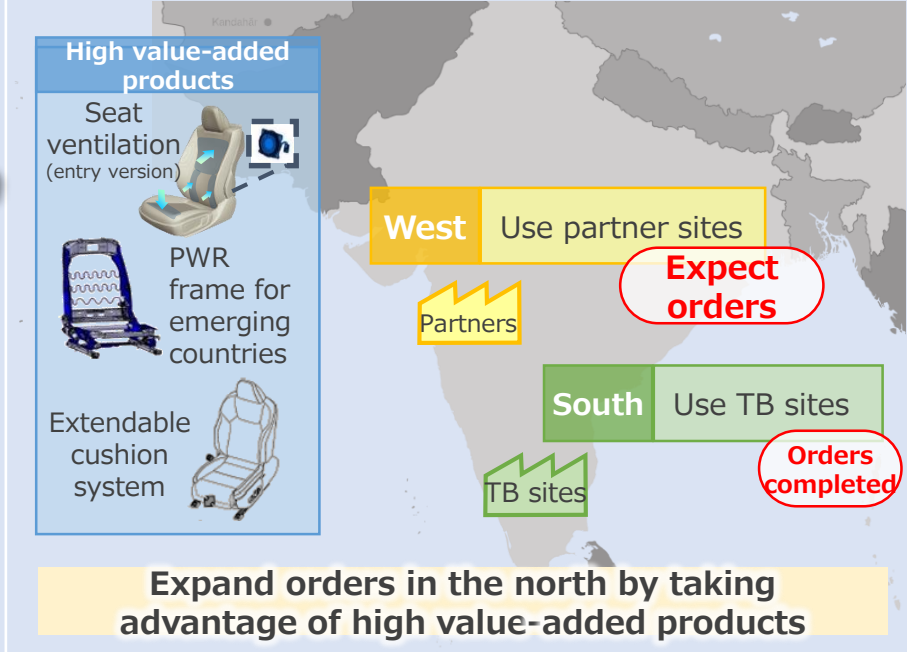
Implement order-taking activities backed by price competitiveness and technical development strength by effectively using existing resources

<Asia market>



[Example 2] Company S

Aim to secure orders for Toyota Boshoku high value-added products in partnership with local supplies



- ◆ As an activity No1, (1) Order activities targeting customers other than Toyota, traditionally we have mainly targeted automobile manufacturers that have alliance with Toyota. There order activities are beginning to bear fruit and new orders are being approved. As for seat orders, a growth market is expected to expand going forward:
- ◆ We received new orders and commenced mass production in Indonesia as one example. In other regions in Asia as well, sales are growing step by step. Price competitiveness owing to the effective use of existing resources and Toyota Boshoku's technical development prowess contributed to orders.
- ◆ Another example is the seat orders for a new project in the south, and activities to secure orders in the west through collaboration with local suppliers. We aim to expand to north India and other regions by taking advantage of high value-added products.

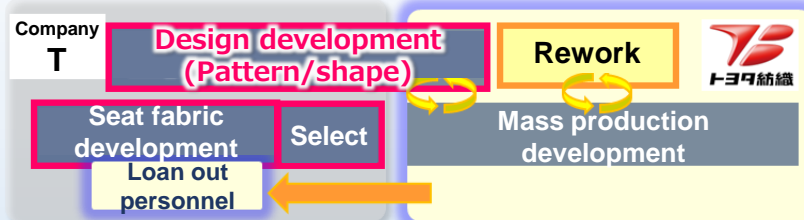
3. FY2023 Activities to Achieve the Mid-term Business Plan

Activity No.1

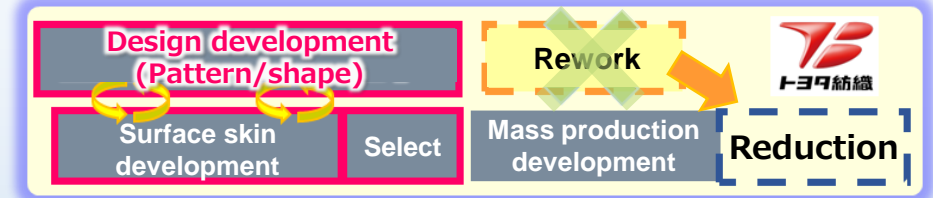
(2) Self-sufficiency of seat fabric design(strengthen competitiveness of seat fabric)

Current development issues: Design development and seat fabric development are carried out separately therefore frequent reworking occurs prior to mass production

FY2022 Loan out personnel to customers to learn about seat fabric development at customers



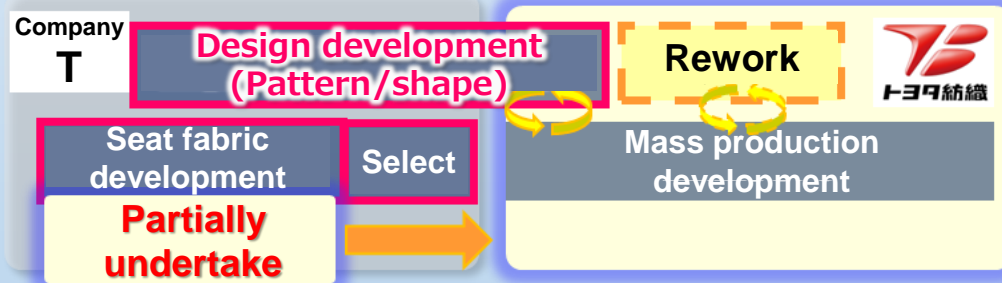
Future TB concurrently develops design and fabric to enhance **efficiency**
Eliminate need to rework for mass production



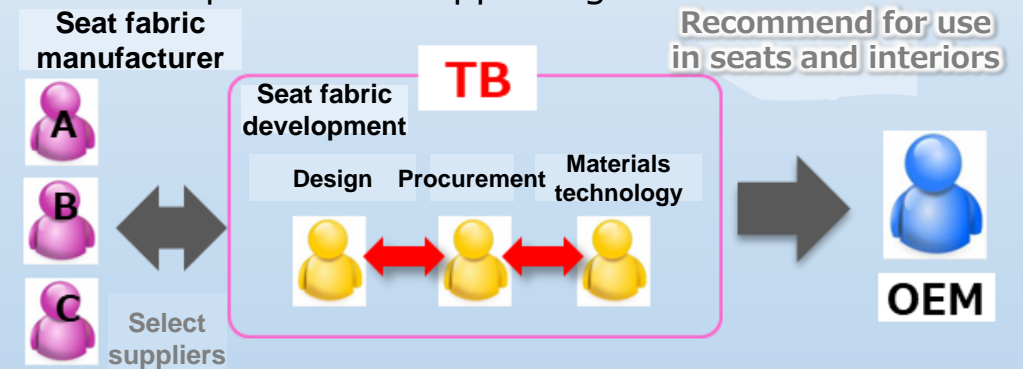
FY2023

TB undertakes a portion of seat fabric development to boost its experience and results

Company T selects the seat fabric manufacturer



Vision TB to realize complex development of highly competitive and appealing seat fabric



Aim to carry out planning, self-sufficient procurement and proposals by enhancing development efficiency to strengthen the competitiveness of seat fabric

- ◆ Regarding (2) rolling seat fabric design and self-sufficiency, customers thus far developed the fabric, and in combination with seat design development at Toyota Boshoku, we dispatched personnel to learn the fabric development for our current development process.
- ◆ In FY2023, we plan to take on a portion of fabric development. We aim to further expand development by winning the trust of customers and fabric manufacturers by accruing our experience of simultaneous design and fabric development and by building up our track record.
- ◆ Further out, to concurrently carry out fabric development and design, we aim to cut our development time by about 30%, and further plan and procure fabric on our own, to offer appealing product recommendations that meet OEM needs.

3. FY2023 Activities to Achieve the Mid-term Business Plan

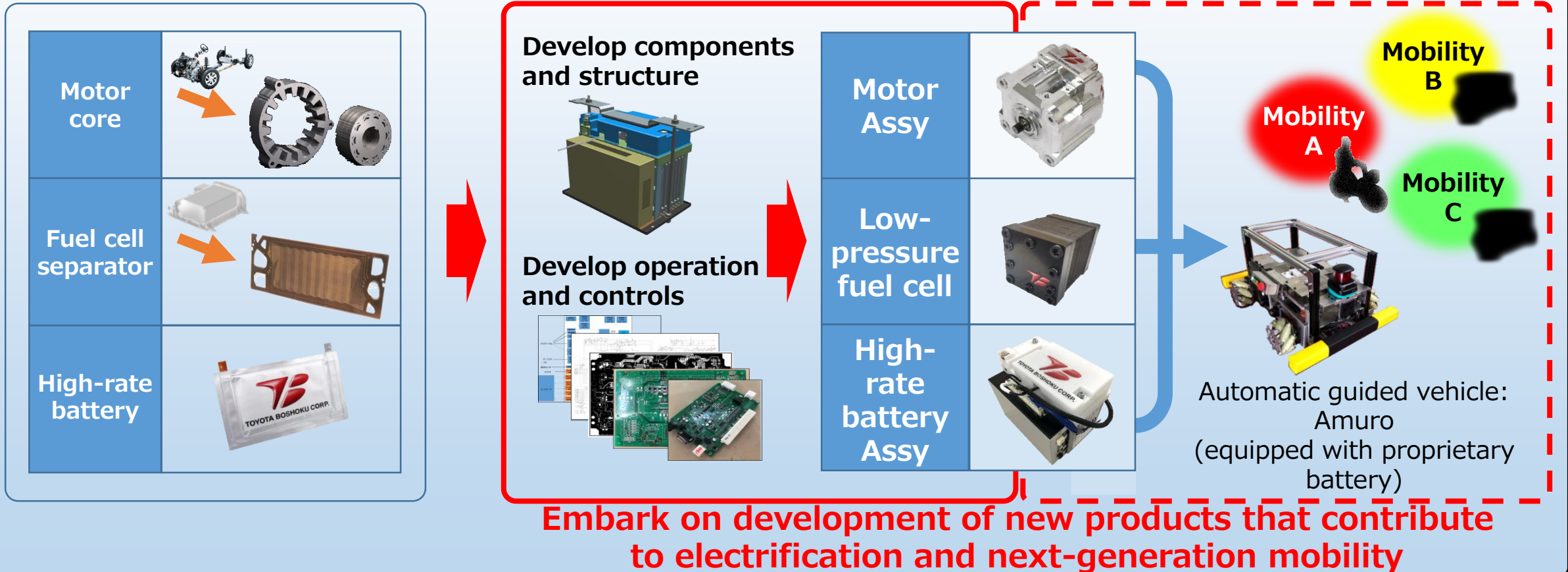
Activity No.1

(3) Addressing electrification: Expand sales, including for motor cores and separators

Expand from a unit product business to assembly and system products

Existing products related to electrification

Develop assembly products and system products



- ◆ As for (3) Addressing electrification,” in the existing motor core business, we rolled out production for products to be used in SUVs in January 2022. Moreover, we plan to carry out orders activities that target strategic OEMs.
- ◆ In FY2023, as a new activity, we will embark on the development of “assembly products” and “system products” that utilize technologies for the electrification of proprietary cores, which was nurtured as a “ unit component business.” We aim to contribute to next-generation mobility and carbon neutrality.

3. FY2023 Activities to Achieve the Mid-term Business Plan

Activity
No.1

(4) Invest in start-ups

Corporate venture capital

Investment plan for the next five years:
JPY5.0 billion

Used of external knowledge
and technology

Promote co-creation of
technology and development

Continuous growth

Investment

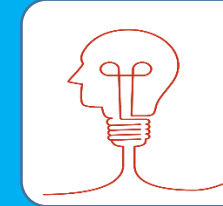
Interior space

Carbon neutrality



Monozukuri

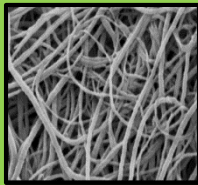
AI



Recycling-
oriented society



New materials



Robotics



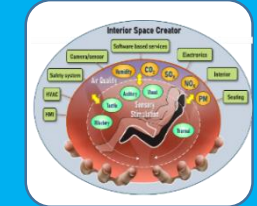
Electrification



UX



Healthcare



- ◆ I will now explain (4) Invest in start-ups.

This has already been disclosed but we plan to use the funds for corporate venture capital to conduct an investment to the scale of 5.0 billion yen in the mid-term targeting start-ups.

- ◆ We plan to aggressively invest in start-ups in 8 fields that possess advanced technologies. It is our goal as an Interior Space Creator to create value that will contribute to continuous growth, monozukuri and future interior spaces for everyone outside the company.
- ◆ We are currently actively interacting with various startup companies and plan to make specific investments in the near future that will lead to the creation of future interior space value.

3. FY2023 Activities to Achieve the Mid-term Business Plan

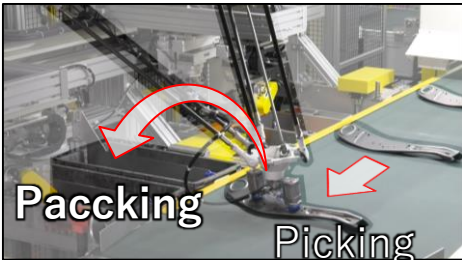
Activity No.2

1. Acquire “monozukuri competitiveness” to address changes in the environment

(1) Propose schemes for the future for each process

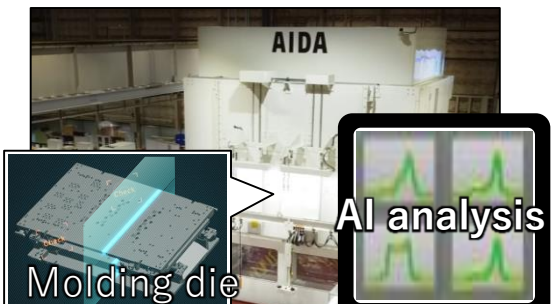
[Ex.: Pressing process → Reduction of labor costs by automation of tasks → Response to the shortage of labor force]

FY2022 Result




Automatic product loading by robot

FY2023 items

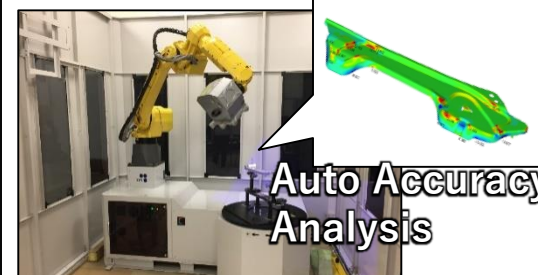


IoT + AI Utilization for preventive maintenance of molding die x press machine



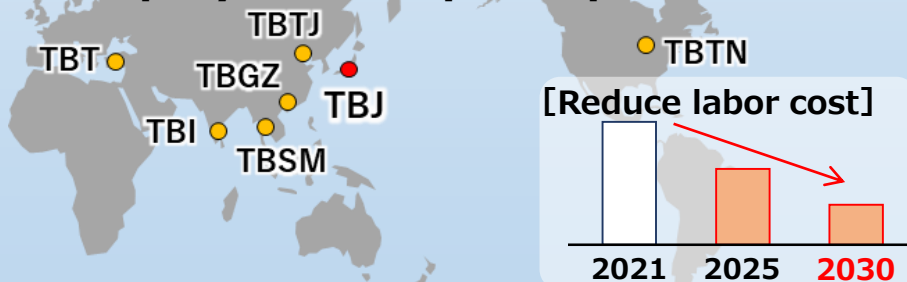
Automatic delivery of product boxes

Item for FY2024 after



Robot + Camera Automated Product Accuracy Checks

■ Global deployment of press plant innovation item



■ Create schemes for future by process

Seat					Interior				Unit
Pressing	Assembly	Welding	urethane	Cover	Interior	Welding	Assembly	thermoplastic	
Done	Done	FY2023~FY2024 complete conception							

Strengthen “monozukuri competitiveness” to achieve 2025 Mid-term Business Plan goals

◆As for Activity No.2 “acquire monozukuri competitiveness to address changes in the environment”

(1) As schemes for the pressing process,
we will respond to the future labor shortage concerns by automating product transfer, maintenance, inspection, and other operations that have traditionally relied on human labor, and by centralizing global control through the use of IoT.
We will respond to the labor shortage that is expected to occur in the future.

In the future, we will also start working on future concepts for other processes, and will combine process technology innovation and shop-floor improvement to dramatically increase our competitiveness and take on the challenge of manufacturing high-quality, low-cost products.

3. FY2023 Activities to Achieve the Mid-term Business Plan

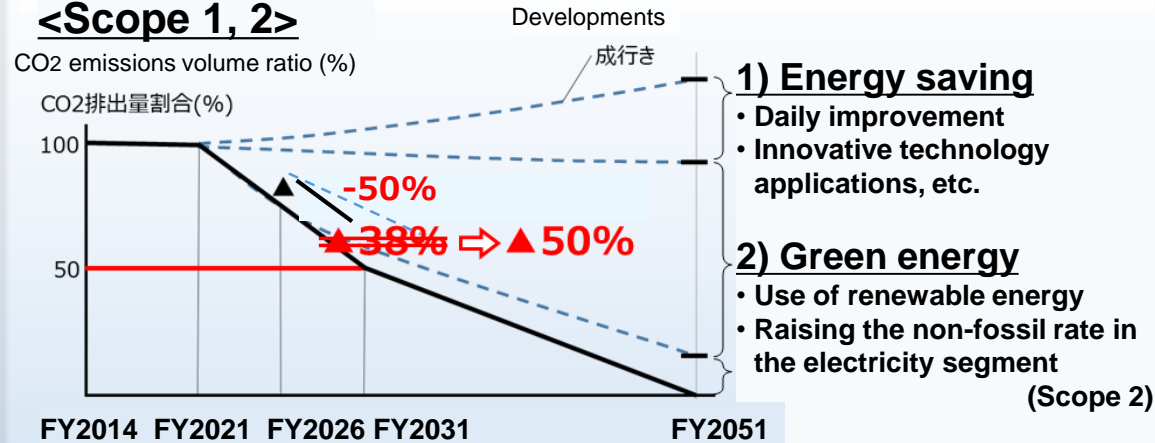
Activity No.3

Propose and execute a supply chain strategy to realize carbon neutrality

(1) Toyota Boshoku FY2051 challenge* to achieve zero CO2 emissions

*From the Toyota Boshoku 2050 Environmental Vision disclosed in 2016

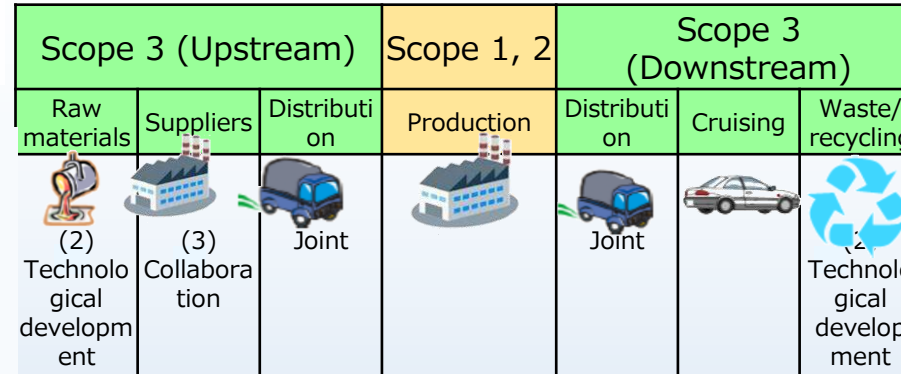
<Scope 1, 2>



Main actions for FY2023 to realize the Mid-term Business Plan

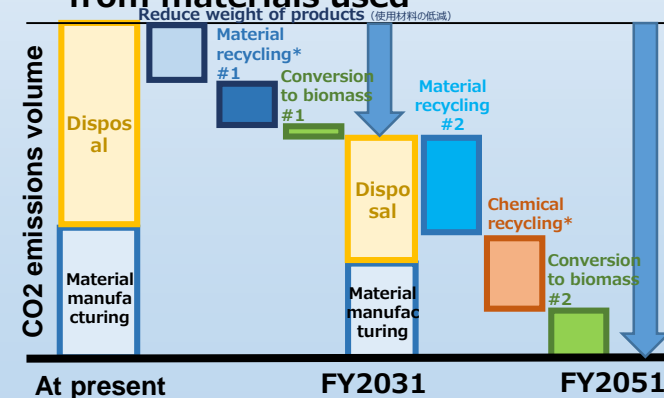
- (1) Plan to achieve 100% use of renewable energy at all sites in Europe in FY2023
- (2) Dig deeper into the information disclosed in the TCFD scenario analysis (December 2021) and integrate the management strategy and environment strategy
- (3) Further implement environmental measures and optimize investments by introducing Internal Carbon Pricing (ICP)

(2) Life Cycle (LCA) Zero CO2 Emissions Challenge



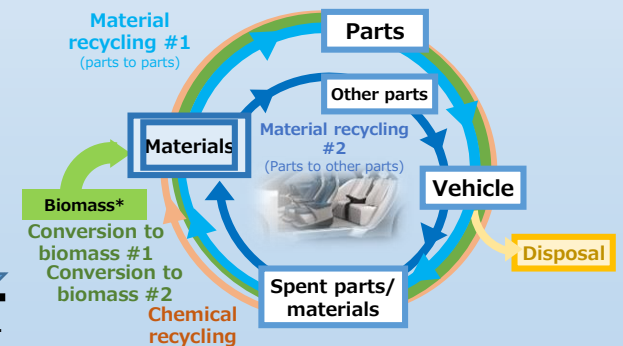
Expand scope to upstream and downstream from SCOPE 1, 2 and SCOPE 3

1) Measures to reduce CO2 emissions from materials used



Tackle carbon neutrality in 2040 by recycling product materials and using biomass

2) Activities to achieve a circular economy



*Material recycling: Reuse products as raw materials to make new products
 *Chemical recycling: Chemically decompose products for reuse as raw materials
 *Biomass: Reusable biological resources

Issue: Accurately grasp SCOPE3 emissions volume (Review definition and improve precision)

- Evaluation tool and establish a DB for handling of sites and customers individually
- Reduction goals and review of steps based on scientific evidence
- Strengthen partnerships with suppliers

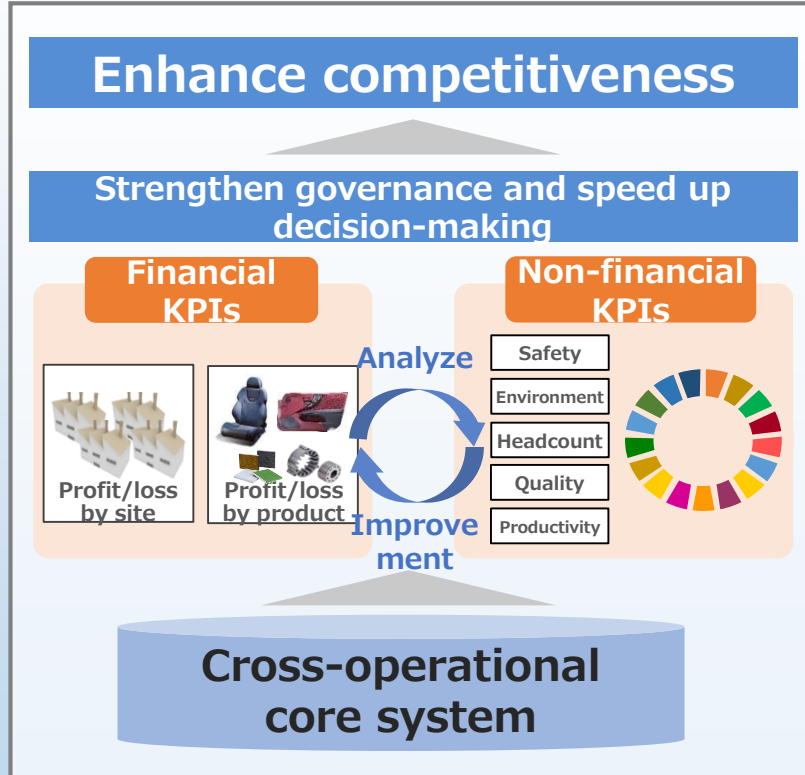
- ◆ In Activity No3, “Realize the Toyota Boshoku FY2051 Environmental Vision”, first we will tackle cutting Scope 1, 2 CO2 emission by half by 2030. (1) We expect to switch to 100% renewable energy at all sites in Europe excluding Africa. (2) We also plan to further analyze the TCFD scenario to dig deeper to integrate management strategies and environmental strategies. (2) We will further optimize the implementation of environmental measures and investments.
- ◆ Next, regarding (2) issues hindering the achievement of zero CO2 emissions during the product lifecycle and LCA, we plan to accurately grasp, define and improve the prevision of information for Scope 3 emissions.
In FY2023, we will undertake measures that focus on these issues.
- ◆ Lastly, we aim to tackle 1) measures to reduce CO2 emissions from used materials and 2) measures targeting a circular economy. We will tackle the realization of carbon neutrality by FY2051 by recycling product materials and using biomass.

3. FY2023 Activities to Achieve the Mid-term Business Plan

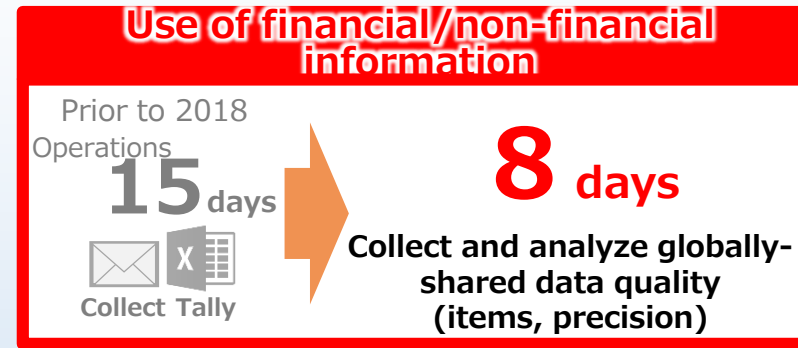
Activity
No.4

Speed up decision-making by strengthening monitoring of financial and non-financial KPIs

Aim of Management Information
Infrastructure Construction



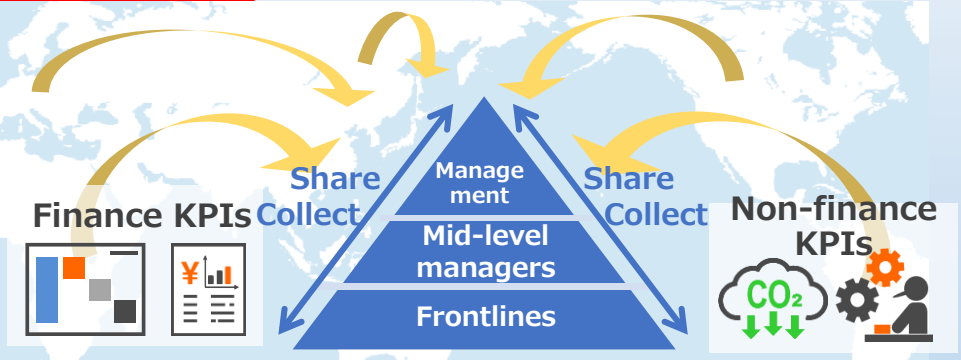
to FY2023



to FY2026



Information visualization tool: Show-J1



Voluntarily use the information infrastructure at each level to identify issues and make improvements

For FY2026/2031 goals (finance and ESG KPIs, etc.) improve and visualize current systems to enhance corporate management to make management decisions based on quantitative data

- ◆ Regarding Activity No.4, “Speed up decision-making by strengthening monitoring of financial and non-financial KPIs”, we will standardize KPI goals for FY2026 and 2031, to facilitate management decisions using quantitative data, and also plan to further enhance corporate management through the advancement of current systems.
- ◆ Concurrently, we aim to shorten the lead time for information visualization by using management information autonomously at each tier, quickly identifying issues and making improvements.

3. FY2023 Activities to Achieve the Mid-term Business Plan

Activity No.5

Improve operational quality that will contribute to the achievement of management goals after winning the Deming Prize for the Unit Components Business

● Actions of FY2022



Total Quality Management (TQM)

To maintain the flexible and resilient corporate structure, based on the Corporate Philosophy of "total participation," "customer first," and "continuous kaizen" aim to improve work quality by enhancing capabilities of "people," "organization," and "process."

● FY2023

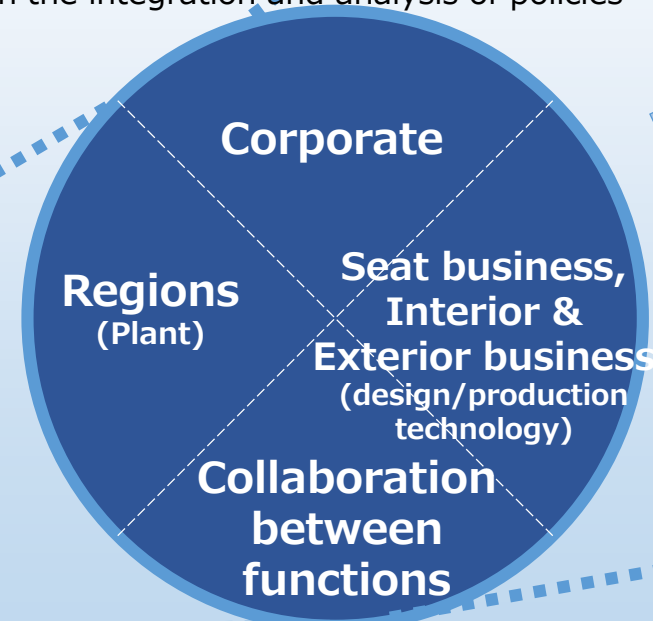
Improve operational quality at all companies (4 areas)

- ◆ Improve effectiveness of customer orientation and the PDCA cycle
- ◆ Strengthen collaborations between departments
- ◆ Strengthen the integration and analysis of policies

Won the Deming Prize in November 2021



Unit Components Business (plant/production technology)



Deming Prize challenge at all companies (4 fields)

Shift to strategic activities to have all employees to resolve companywide issues

- ◆I will now explain Activity No.5, “Improve operational quality that will contribute to the achievement of management goals after winning the Deming Prize for the Unit Components Business.”
- ◆In FY2022, improvements were made to the quality of operations by implementing TQM for the achievement of management goals.
- ◆And, the Unit Components Business won the Deming Prize.
- ◆In FY2023, we plan to expand the scope of our activities to four areas throughout the company and shift to more challenging activities to solve emerging company-wide issues through Deming Prize-winning initiatives.

4. Our desired status for FY2031

Becoming an Interior Space Creator in FY2031

Aim to become a company that continues to be needed

sustainable growth

2050 Vision

A solutions company capable of creating true (deepening, evolving, real value) corporate value

2030 Vision

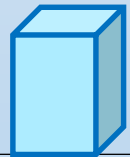
Creating new value as an Interior Space Creator

2025 Mid-term Business Plan
2025 Vision

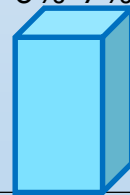
As an **interior system supplier**, become a company that serves as **"Home"** and secures competitiveness that can surpass global suppliers

1.6 trillion yen-plus
(100 billion yen-plus, 6%-7%)

1.4 trillion yen
(58.5 billion yen)



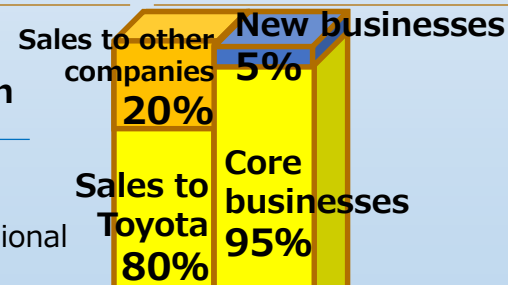
FY22



FY26

Further growth

- Strengthen competitiveness
- Offer multi-dimensional value
- Expand business fields



FY31

Challenge

Become No. 4 and 5 pillars

Aim to be a company that creates a prosperous society filled with smiles, which cuts across generations and is environmentally-friendly

FY51

*Home is a business or region where we can add our own value "on the spot" and where we are competitive against our competitors

◆Lastly, I would like to explain the FY2031 Vision.

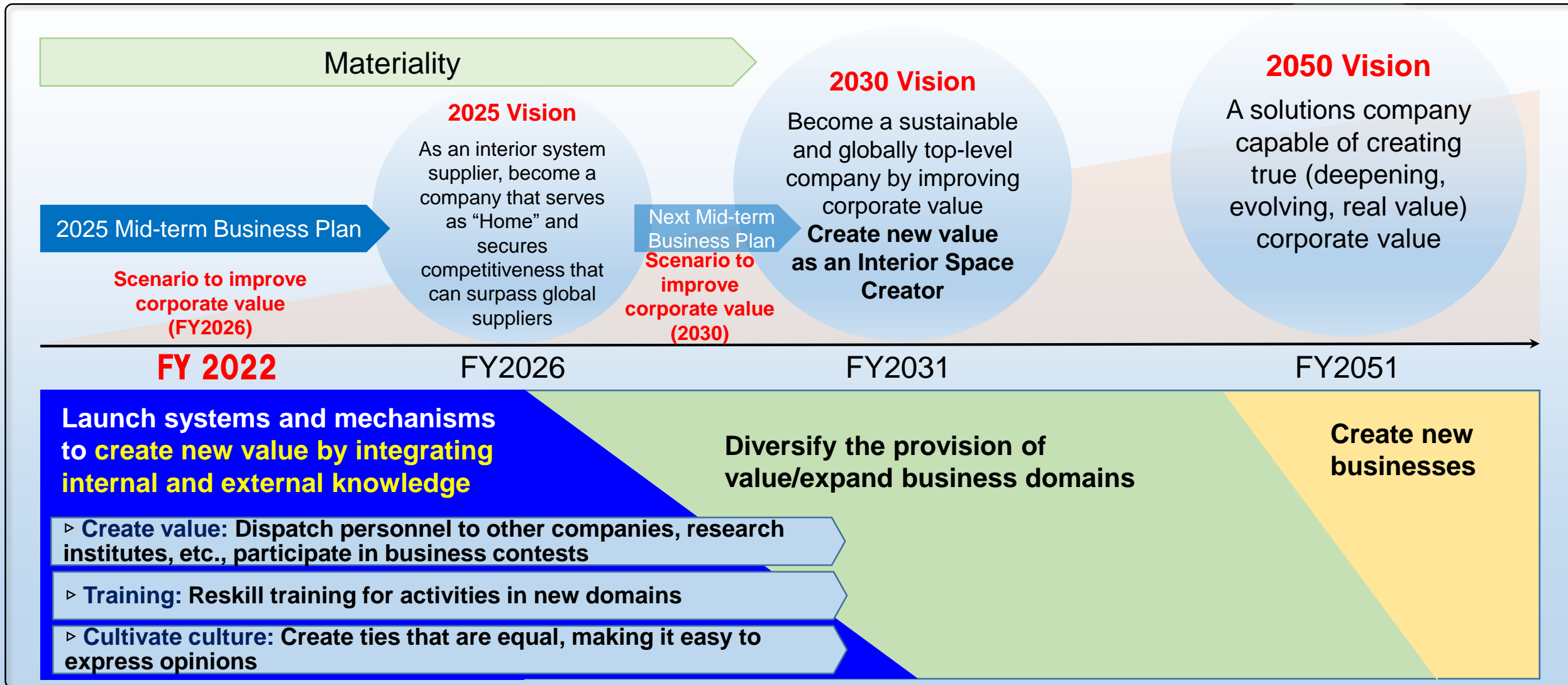
◆Our goals are to become a company that creates a prosperous society that is filled with smiles, which cuts across generations and is environmentally-friendly.

In FY2051, we aim to become a solutions company capable of creating true (deepening, evolving, real value) corporate value. To this end, to become an Interior Space Creator in FY2031, we must

- 1) Aim to achieve a 20% sales ratio to other companies by strengthening competitiveness and diversifying the provision of value.
- 2) In addition, target a sales ratio of 5% from new businesses by implementing a business that deals with CASE and MaaS to create new value.

4. Our desired status for FY2031

(1) Create innovative employees and systems that promote challenge



- ◆(1) In FY2023, we aim to undertake the development of programs and systems to create new value by integrating internal and external knowledge to “offer multi-dimensional value,” “expand business fields,” and “create new businesses.”
- ◆Specifically, we will also undertake the cultivation of a workplace culture that nurtures personnel, where each employee can work energetically and produce ideas by actively dispatching employees outside the company and by providing training for re-skilling.

4. Our desired status for FY2031

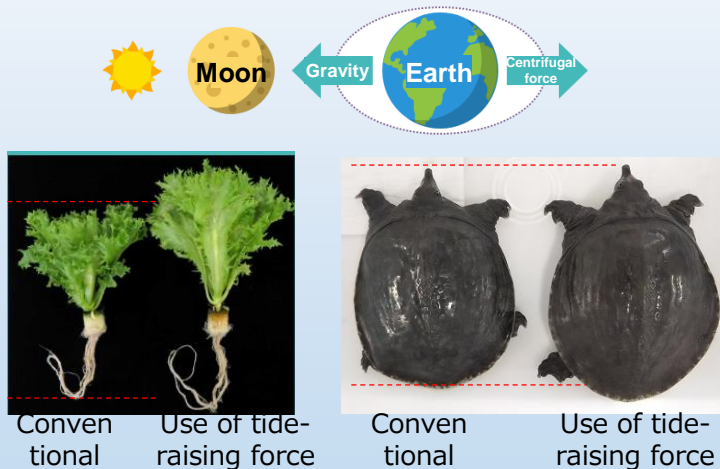
(2) Embark on verification for the commercialization of technologies that utilize tide-raising forces

Improve food productivity by incorporating the moon's rhythm

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

Develop technologies that utilize tide-raising forces that will solve the food issue

The tide-raising force rises during the new and full moons



Confirmed an increase in the production of lettuce and soft-shelled turtles(Lab-level)

Collaborate with other companies to embark on the confirmation of benefits at plant factories and farms



Start verification for commercialization

Image of business:

- Lighting control module
- Provide patent licenses
- Production and sales



License

Other companies

FY2015

FY2023

FY2031

FY2051

- ◆ For new businesses, we embarked on verifications for(2) the commercialization of technologies that use tide-generating force.
- ◆ With the goal of solving food issues, we are developing technology to improve productivity by incorporating the rhythm of the moon. At the laboratory level thus far, we confirmed the promotion of growth in lettuce and soft-shelled turtles.
- ◆ We plan to conduct the verification of benefits at plant factories and farms in collaboration with other companies with the goal of realizing the FY2031 Vision.
- ◆ As a future business, we have commenced consideration of businesses such as the sale of lighting control modules, patent license provision and the production and sales of food products.

A New 100 Years of Working Together, Open the door!



TOYOTA BOSHOKU

<Disclaimer>

The forecasts relating to future business performance provided in this report are estimates made by the Company based on the information available at the time of reporting, and therefore involve risks and uncertainties.

Accordingly, actual results may differ from the forecasts due to various factors.

- ◆ This ends the FY2022 Business Briefing.
- ◆ Toyota Boshoku aims to steadily carry out its 2025 Mid-term Business Plan to realize its vision, aim to become a company that continues to be needed by the world in FY2031 and FY2051, and will realize continual growth.
- ◆ We continue to ask for everyone's understanding and cooperation as we move forward.

(Reference) ESG KPIs

★ Items added to conventional stakeholder and CSR KPIs

E (Environment)				S (Society)				G (Governance)			
NO.	KPIs	Goals		NO.	KPIs	Goals		NO.	KPIs	Goals	
		FY2026	FY2031			FY2026	FY2031			FY2026	FY2031
KPI	1 Reduction rate for production CO2 emissions	-25% (versus FY2014)	-50% (versus FY2014)	8	Number of patent applications ★	320/year	500/year	18	Number of incidents of environmental anomalies/complaints	0	←
	2 Renewable energy introduction ratio ★	15%	40%	9	Number of disclosures outside company/papers ★	90/year	120/year	19	Number of serious cyber security incidents that occurred ★	0	←
	3 Reduction rate for logistics CO2 emissions ★	-14% (versus FY2012)	-20% (versus FY2012)	10	Development ratio for new products that will contribute to being an Interior Space Creator ★	65%	75%	20	DX certification ★	DX-Excellent company	←
	4 Reduction rate for waste emissions	-14% (versus FY2012)	-20% (versus FY2012)	11	Car mounting ratio planned for use of products that contribute to traffic safety ★	20%	50%	21	Number of cases of antitrust violations	0	←
				12	Number of people participating in the implementation of activities to contribute to society	Total 2,000 people	←	22	Number of fraud and bribery cases	0	←
	5 Water usage reduction rate	-6% (versus FY2014)	-8% (versus FY2014)	13	Degree of implementation of action guidelines	100%	←	23	Addressing human rights risks in the supply chain (deploy human rights due diligence) ★	Deployment rate: 100%	←
				14	Stress check for all employees Number of times implemented	Once a year	←				
	6 Co-existence with nature (number of trees planted)	Cumulative total: 640,000	Cumulative total: 770,000	15	Percentage of people taking a health exam	100%	←	24	External awards from customers	5	←
	7 Sales ratio of unit components for electrification product that contribute to the minimization of environmental burden	10%	45%	16	Number of serious employees disasters	0件	←		Compliance with timely and appropriate disclosures	100%	←
				17	Number of serious outsourced contractor/personnel disasters	0件	←	25			