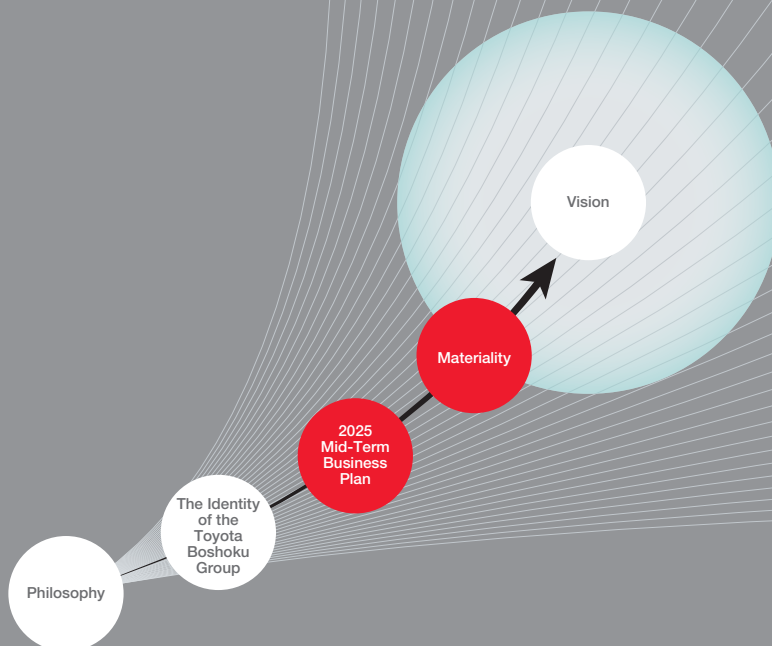


Implementation and Results

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FEATURE

1

Aiming to be an Interior Space Creator

Continuing to create new services in a society that demands diversification

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

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

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

INTERIOR SPACE CREATOR

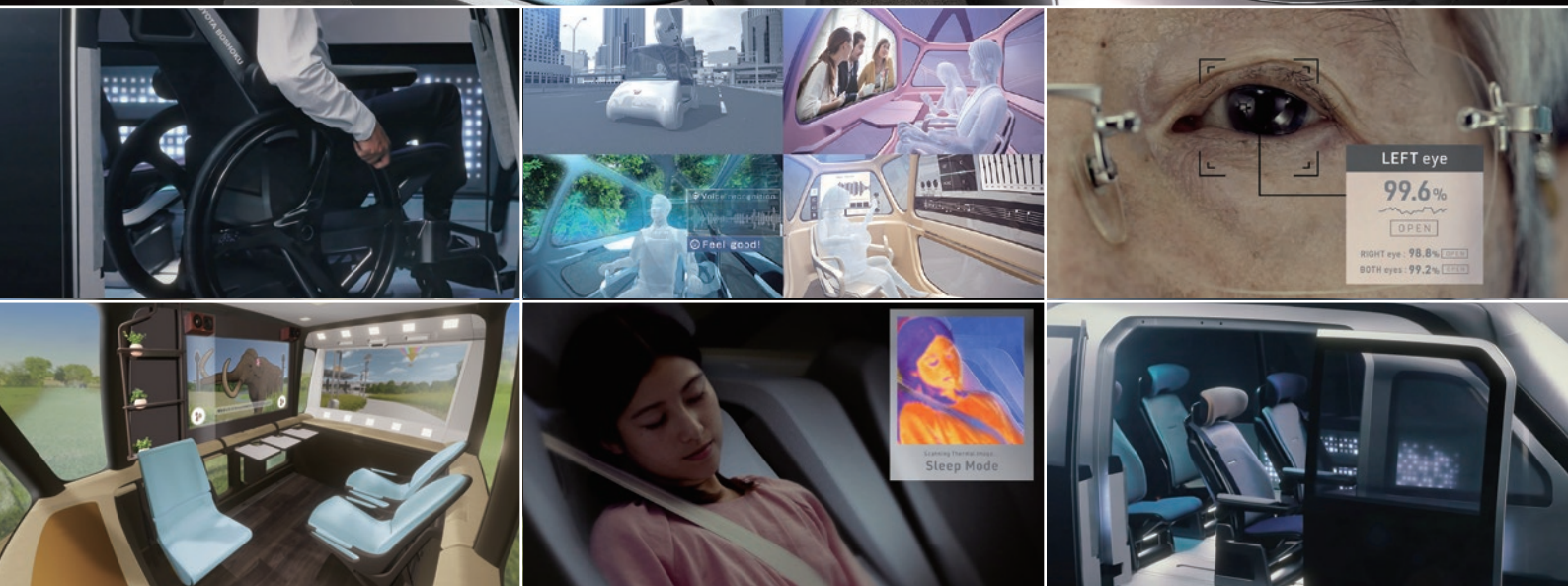
- Excellent UX¹
 - Design
 - Function
 - Craftsmanship
- 1 User eXperience

Differentiating new value offering

Complete vehicle interior value management

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

Total Vehicle Interior System



Officer's message

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

Takashi Yamamoto
Director, Operating Officer
Chief Technology Officer



Human-centered value creation

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

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

Immediate decision-making and action to avoid missing business opportunities

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

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

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

Fusion with technologies held by Toyota Group companies

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

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

Aiming to create new businesses

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

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

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

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

Round-table discussion

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



Goro Takahashi (photo: left)

Division General Manager, Interior & Exterior
Advanced Development Division

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

Enoch Morishima (photo: on screen)

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

Yoshiya Takagi (photo: center)

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

Rina Mukai (photo: right)

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

Q.1

How do you envisage society in 2030?

Enoch ● While it's unlikely that autonomous driving Level 5¹ will be widely available by 2030, I do see car sharing expanding.

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

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

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

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

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

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

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

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

¹ Fully automated driving, freeing people from driving

Q.2

What is an Interior Space Creator?

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

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

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

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

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

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

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

Initiatives to realize materiality

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

Q.3

What are the future challenges?

Takahashi ● I believe we cannot avoid addressing environmental issues such as carbon neutrality and the circular economy. In fact, technologies to reduce CO₂ emissions during the life cycle are becoming increasingly important.

Takagi ● Right now, I am involved in work related to the reduction of CO₂ emissions in seat production. We start by calculating CO₂ emissions for the entire life cycle, and then determine what level of reduction we can make in each process.

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

without being constrained by conventional methods.

Takahashi ● I'm also occasionally surprised by how non-Japanese venture companies come up with completely unexpected car designs. For example, a vehicle without a front header² and just a sun visor, which overturns the conventional concept of the roof area. I feel we may not survive if we get stuck in stereotypical concepts.

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

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

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

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

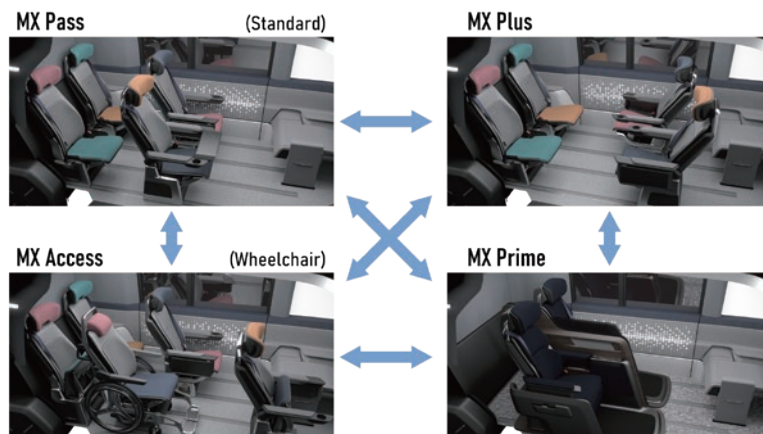
Takagi ● There's a lot to do and it's a challenge to implement open innovation with external parties as well as in-house collaboration in areas such as seats and interiors, but it's necessary if we are to become an Interior Space Creator.

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

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

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

MaaS rideshare interior space concept, MX221



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

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

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

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

2

FEATURE

Diversity and inclusion at our production sites

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



Hiroshi Ioki
Operating Officer
Chief Manufacturing Officer
Top Plant General Manager

Junko Shiokawa
Outside Director

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

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

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

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

Shiokawa ● What are the challenges?

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

production sites is to enhance our manufacturing capabilities.

Shiokawa ● D&I leads to innovation.

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

Initiatives to realize materiality

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

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

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

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

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

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

put into every part of the process.

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

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

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

Case Study 1

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

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

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

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

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

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

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



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

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

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

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

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

are being presented there as well.

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

Ioki ● I feel that our company members are communicating with

Case Study 2

Sanage Plant—Sewing process

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

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

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



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

Sanage Plant—Seat production process

Increasing workability and work efficiency through *Karakuri Kaizen*

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

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

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

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



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

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

2 A responder in the event of defects

Initiatives to realize materiality

each other and implementing these initiatives spontaneously.

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

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

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

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

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

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

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

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

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

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



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

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

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

Officer's Message

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

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

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

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



Douglas Shields
Deputy Segment Chief
Corporate & Profit
Management Segment

1

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

Activity targets

Revenue **1,600** billion yen + α

The surrounding environment

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

Related materiality



Implementation items / Points

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

Related KPIs and targets

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

Message from officer responsible for the Action

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



Takashi Yamamoto
Director, Operating Officer
Chief Technology Officer

Comprehensive competitor benchmarking to re-analyze our strengths and weaknesses

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

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

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

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

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

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

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

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

Main initiatives

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

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

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

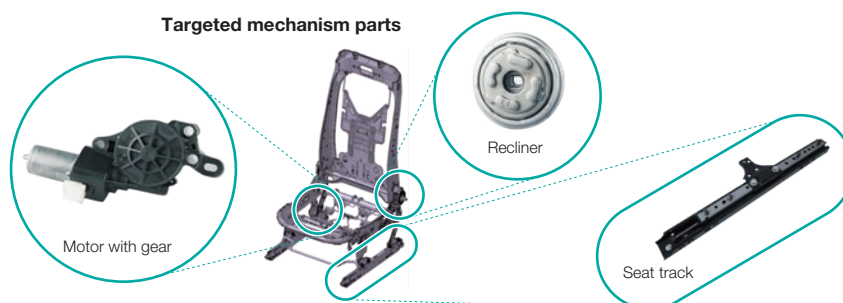
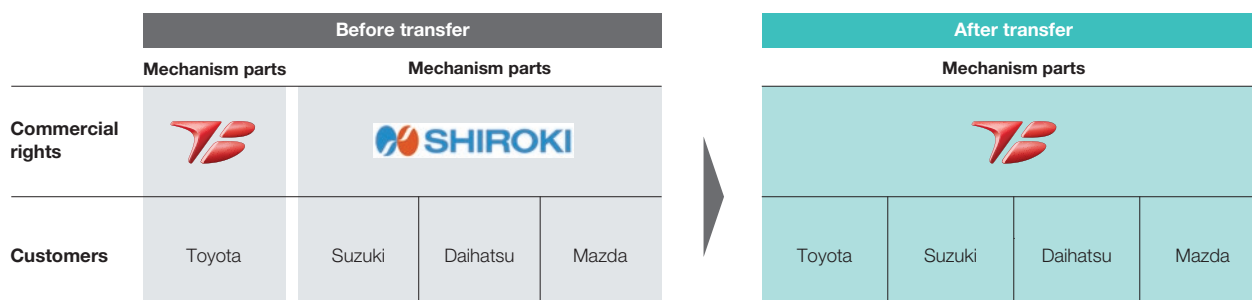
The first round of deployment of the new-generation seat frame is almost complete, and moving forward toward 2030, we will now conduct comprehensive benchmarking against our competitors, develop next-generation frames, devices, etc., and pursue optimal production using automation, IoT, and AI.

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

* A position in a sales contract

Transfer of commercial rights for automotive seat frame mechanism parts

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



Initiatives to realize materiality

Main initiatives

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

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

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

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

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

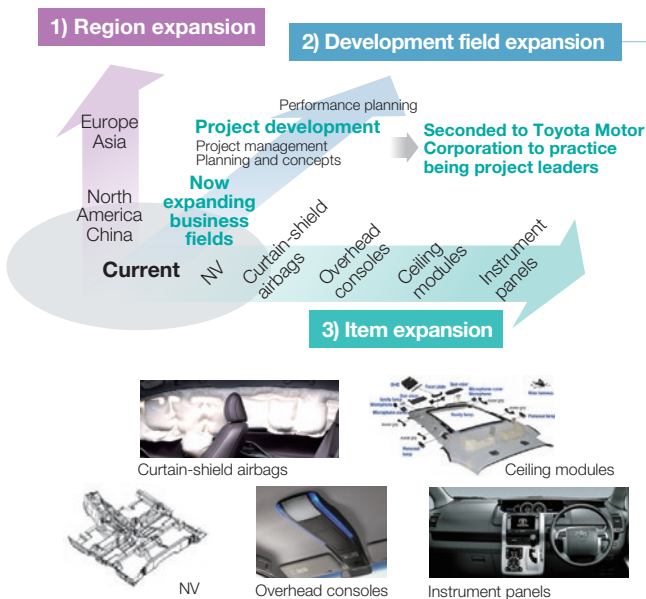
we seconded personnel to Toyota Motor Corporation, who became the actual project leaders to conduct interior development for new automobile models.

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

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

Expansion of development fields in interior SS

Expansion of business fields



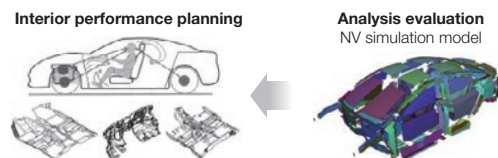
Initiatives of fiscal 2023 to expand development fields

<Project management>

Toyota Boshoku carries out interior development as the project leader

<Performance planning>

- NV: Planning and proposing automobile interior NV performance



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

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

Main initiatives

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

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

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

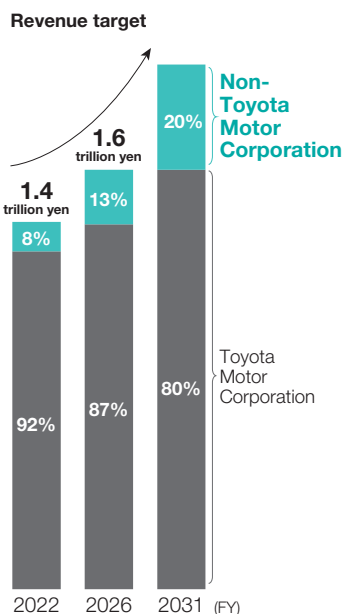
In terms of expanding sales to Japanese automakers, we are promoting activities to win orders by leveraging our high value-added technologies in regions where we anticipate

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

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

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

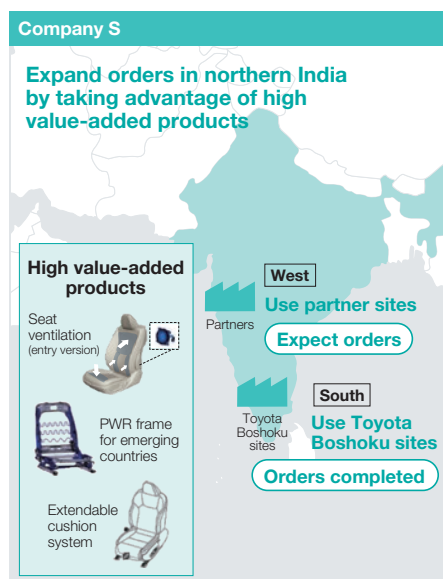
Winning new orders from Toyota alliance partners



Examples of new orders



New seat business orders in growth markets



Initiatives to realize materiality

Main initiatives

4	Promote new growth strategic items for electrification	Materiality No. 1	Materiality No. 3

Results • Started production for SUVs in existing motor core business

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

1) Motor cores for HEVs

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

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

2) Separator for fuel cell stack

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

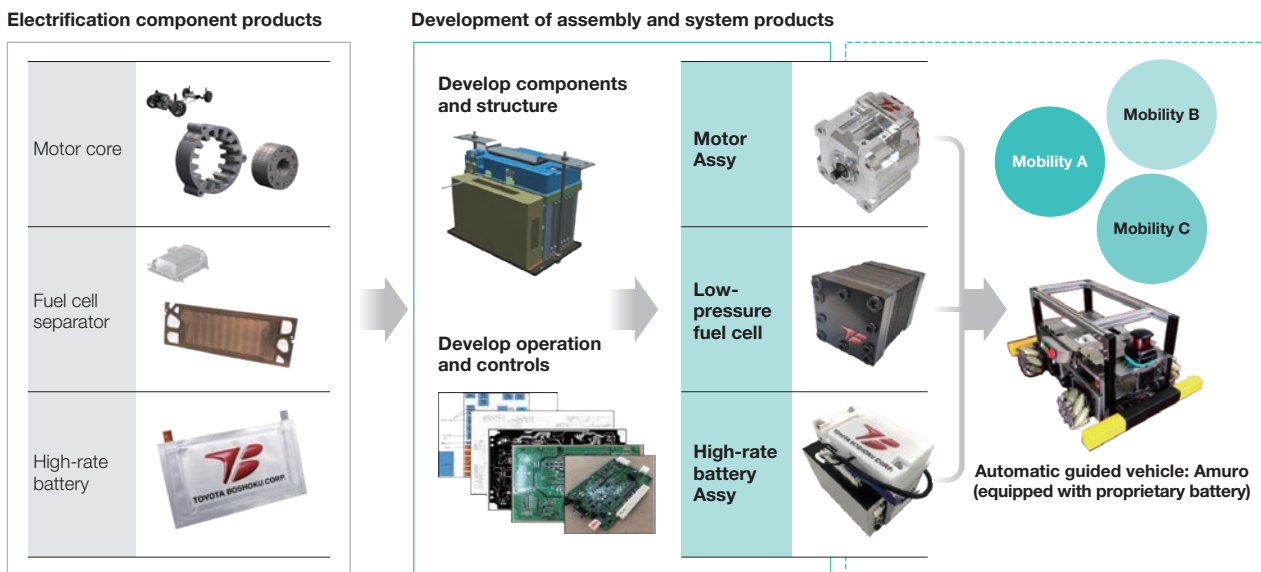
3) Lithium-ion batteries (High-rate battery)

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

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

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

Expansion from single-product business to assembly and system products



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

2

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

Activity targets

Operating profit **100** billion yen + α

The surrounding environment

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

Related materiality



Implementation items / Points

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

Related KPIs and targets

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

Message from officer responsible for the Action

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



Hiroshi Ioki
Operating Officer
Chief Manufacturing Officer
Top Plant General Manager

Steadily implementing each of the measures under the Priority Action

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

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

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

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

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

The role of the CMO in improving MONOZUKURI competitiveness

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

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

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

Main initiatives

4	Strengthen capability to respond to fluctuations in demand	Materiality No. 3	Materiality No. 4

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

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

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

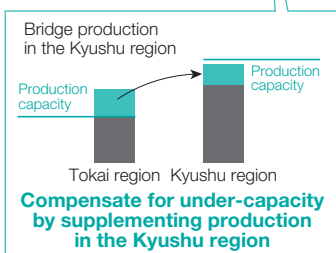
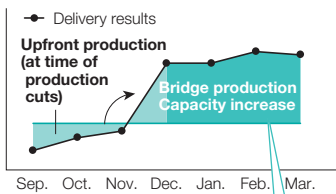
We have also implemented centralized management of skill evaluations (sewing) for technicians covering a total of 28 companies, including suppliers and various companies within the Toyota Boshoku group. We are working throughout the supply chain to provide efficient human resource support beyond company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

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

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

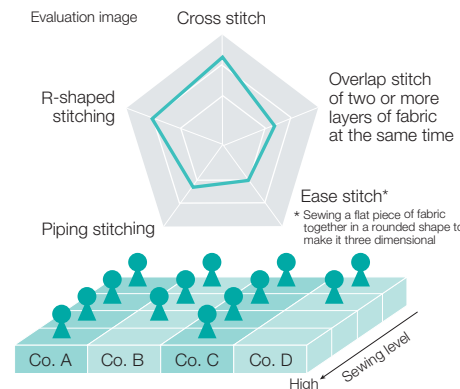
Supplement production across regions

- Tokai region ES seat cover production volume

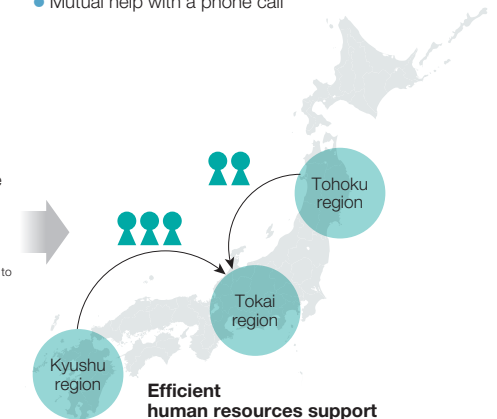


Human support across regions

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



- Mutual help with a phone call



Address changes in the environment throughout the supply chain

Initiatives to realize materiality

Main initiatives

5	<p>Execute loss-free launch of new products and measures that will secure earnings without fail</p>	<p>Materiality No. 3</p>	<p>Materiality No. 4</p>
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Results

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

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

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

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

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

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

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

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

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

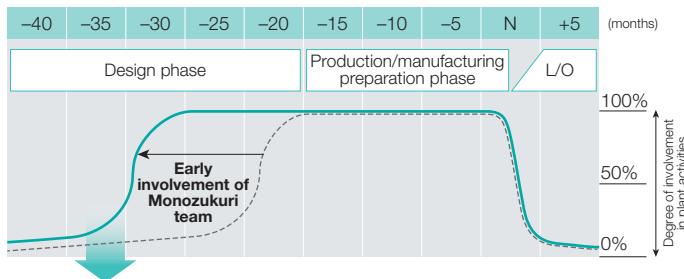
As a result of these measures, re-work losses have been reduced and marginal profit targets achieved in the staged launch of vehicle models at the three plants in Japan and overseas.

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

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

Smooth launch of global vehicle models to achieve cost targets

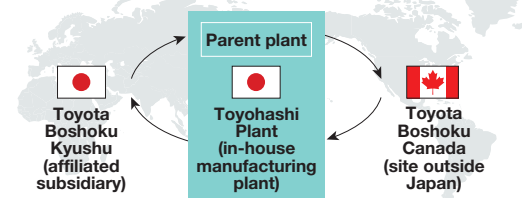
1) Form a Monozukuri team (at the plant level) → Plant is involved earlier and more deeply



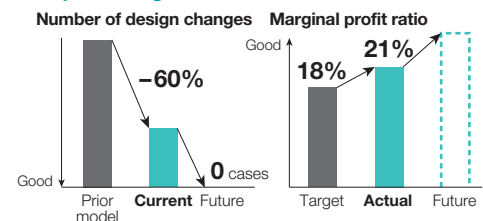
2) Improve completeness of drawings by running digital and physical simulations → Steadily incorporate manufacturing requirements into the product drawings



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



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



3

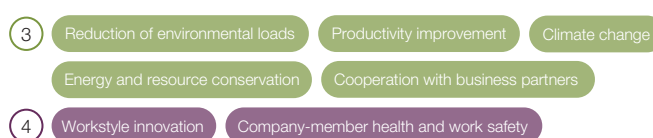
Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives

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

The surrounding environment

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

Related materiality



Implementation items / Points

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

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

Related KPIs and targets

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

Message from officer responsible for the Action

Aiming to improve customer satisfaction based on the TQM philosophy



Noboru Hidaka
Chief Quality Officer
Field Chief, Quality Field

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

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

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

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

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

Message from officer responsible for the Action

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



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

In fiscal 2022, we changed our CO₂ emissions reduction target from 38% to 50% by 2030 (compared to fiscal 2014), as we work to achieve the 2050 Environmental Vision and take on the challenge of achieving zero CO₂ emissions. In fiscal 2023, we are focusing on efforts to halve CO₂ emissions from in-house production (Scope 1 and 2).

Going forward, we aim to reduce CO₂ emissions throughout the supply chain (Scope 3) in order to achieve zero CO₂ emissions in the life cycle. First, we will accurately identify our CO₂ emissions, improve definitions and information accuracy, and promote initiatives with customers, suppliers, and the

administrative authorities. I believe it is also important to actively utilize open innovation to generate synergies between our technologies and technologies outside the company. In addition, we will challenge ourselves to achieve carbon neutrality by 2050 through measures to reduce CO₂ emissions from product materials, and through the recycling of product materials and the utilization of biomass aimed at realizing the circular economy (→ see pages 27 and 60).

Main initiatives

1	Improve process quality by implementing TQM by all company members	Materiality No. 3	Materiality No. 4
	Results	<ul style="list-style-type: none"> • Won the Deming Prize (Kariya Plant and Unit Production Engineering Center) 	

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

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

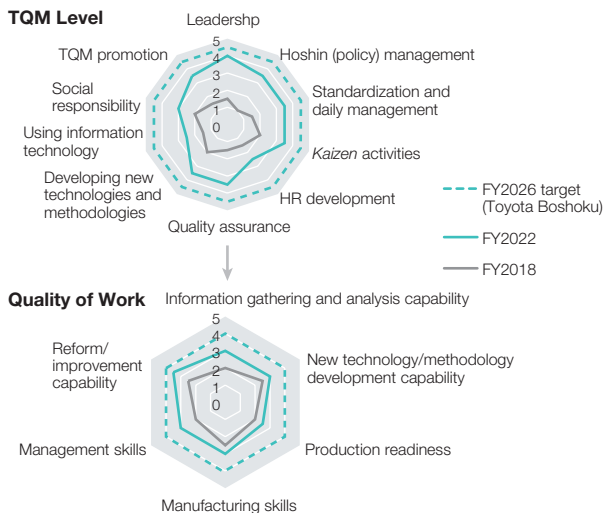
TQM practice at Kariya Plant and Unit Production Engineering Center to the Corporate Operation Unit, the Seat and Interior & Exterior Business Segments (design and production engineering), the Functional Collaboration Reinforcement Unit and the Regional Business Unit (plants).

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

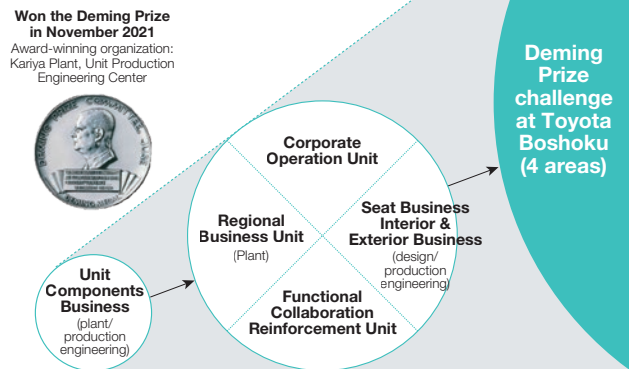
* An award given as part of the Japan Quality Recognition Award, which is organized by the Union of Japanese Scientists and Engineers. A system for recognizing organizations that have established an effective quality management system based on ISO 9000 and have achieved substantial results.

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

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



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



Initiatives to realize materiality

Main initiatives

5	Minimize environmental stress by promoting MONOZUKURI innovation	Materiality No. 3
Results	<ul style="list-style-type: none"> • Launched sale of a cushion made from the surface material of discarded automobile seat covers • Created renewable energy from food loss and waste in plant cafeterias 	

In our 2050 Environmental Vision, the Toyota Boshoku group has committed itself to zero CO₂ emissions, minimal use of natural resources, and minimal waste (→ see page 27).

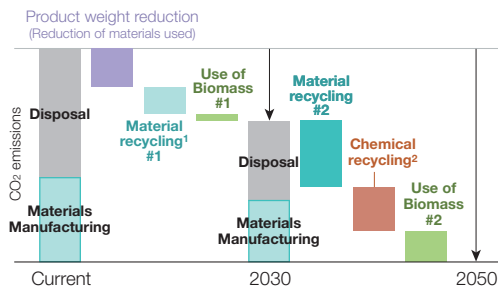
We have started new initiatives, such as creating renewable energy from food loss and waste in plant cafeterias, which is then used in production as well as to charge forklifts and tool batteries, etc. by means of biogas power generation equipment.

In addition, we are promoting the reduction of CO₂ emissions throughout the life cycle. As well as product lightweighting, the use of plant-derived materials (biomass), and the development of technologies for electrified products, we are also working to improve the recyclability of our products, including easy disassembly, recyclable designs, and development of recycling technologies.

We will also continue to reduce the CO₂ emissions from materials used in our products in order to become carbon neutral.

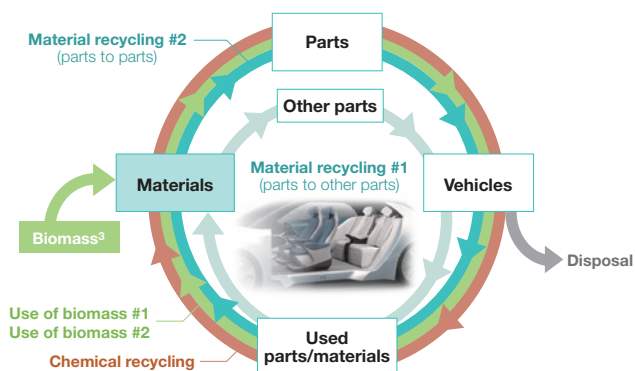
Measures to reduce CO₂ emissions from product materials

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



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

Initiatives for a circular economy



Upcycling Initiatives

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

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

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



Doala Seat Cushion

4

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

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

The surrounding environment

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

Related materiality

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

Implementation items / Points

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

Related KPIs and targets

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

Message from officer responsible for the Action

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



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

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

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

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

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

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

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

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

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

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

Main initiatives

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

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

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

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

2) Training and appointing global executives and future managers

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

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

3) Fostering an open workplace culture for maximizing potential

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

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

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

Enhancing innovative ability

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

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

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



Bringing about chemical reactions in Toyota Boshoku through Renewed action



We weave the future of Toyota Boshoku through our adventurous spirit

Initiatives to realize materiality

Human rights initiatives

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

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

Initiatives to raise company members' awareness

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

Internal consultation and reporting desk

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

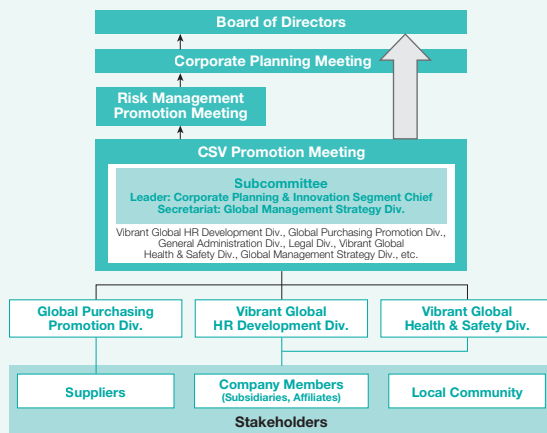
Human rights due diligence initiatives

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

Global Management Strategy Division and other related divisions.

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

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



Human rights due diligence implementation status

Selection of Relevant Human Rights Issues

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

Risk Assessment and Impact Identification

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

Consideration of Mitigation Measures

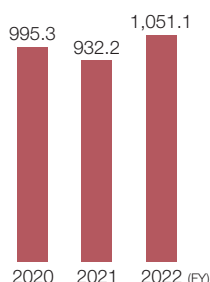
We will carefully consider appropriate measures to deal with issues considered as having particularly large impacts, such as new prevention measures and corrective measures, as well promotion systems, and other actions.

Complete Planned

Results of FY2022 initiatives

Seat Business

Revenue (billion yen)



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

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

Initiatives in fiscal 2022

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

Maximizing seat value

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

Adopting seats that are suited to their application

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

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

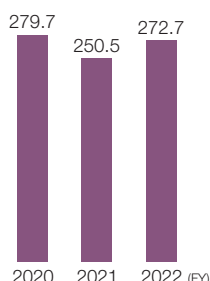
- Develop world-leading, next-generation front seat frame
- Expand business through collaboration with Toyota Group on future technologies
- Promote optimal local production for local consumption and use of local materials

Establishing a highly efficient production system

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

Interior & Exterior Business

Revenue (billion yen)



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

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

Initiatives in fiscal 2022

Initiatives to become an interior system supplier

Incorporating new components and expanding our technological domain

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

Expanding regions served as a system supplier

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

Conducting activities to strengthen global competitiveness

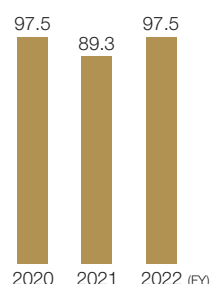
- Develop a product strategy for door trims and promote completely local procurement

Expanding sales to strategic OEMs

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

Unit Components Business

Revenue (billion yen)



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

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

Initiatives in fiscal 2022

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

Existing businesses

Filter products

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

Intake system products

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

Motor core

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

FC-related products

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

Lithium ion batteries

- Aim for quality, performance and productivity on pilot line

New businesses

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

Seat Business

Toward achieving fiscal 2026 targets

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

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

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



Hiroki Tsunoda

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

SWOT Analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

Strategy

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

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

Fiscal 2023 Action Plan

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

Interior & Exterior Business

Toward achieving fiscal 2026 targets

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

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



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

SWOT Analysis

Strengths

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

Weaknesses

- Response capabilities to new customers
- Competitiveness of existing products

Opportunities

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

Threats

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

Strategy

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

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

Fiscal 2023 Action Plan

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

Unit Components Business

Toward achieving fiscal 2026 targets

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

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

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



Ikutomo Sakai

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

SWOT Analysis

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

Strategy

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

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

Fiscal 2023 Action Plan

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

Topics (Initiatives for new value creation)

Business incubation

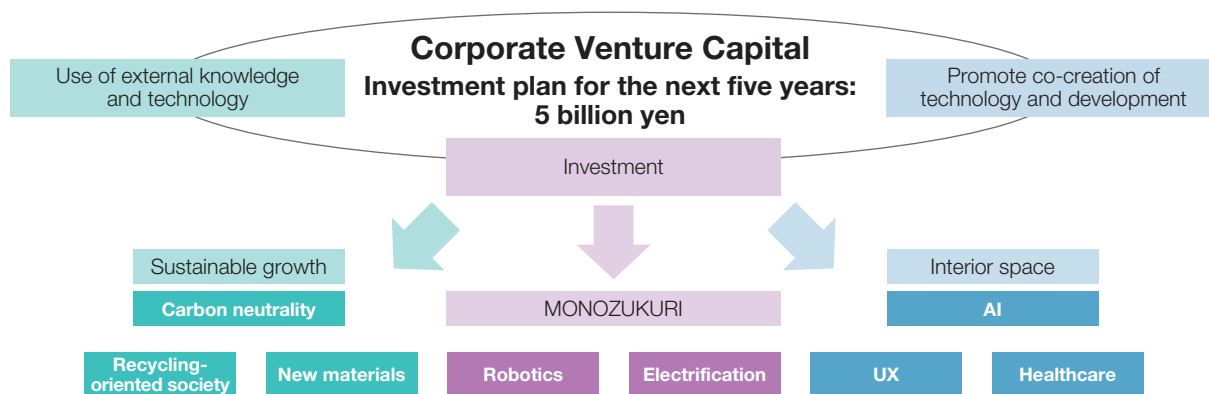
Investing in promising startup companies in eight high-profile fields

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

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

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

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



Tide-generating force

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

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

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

Improve food productivity by incorporating the moon's rhythms

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



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