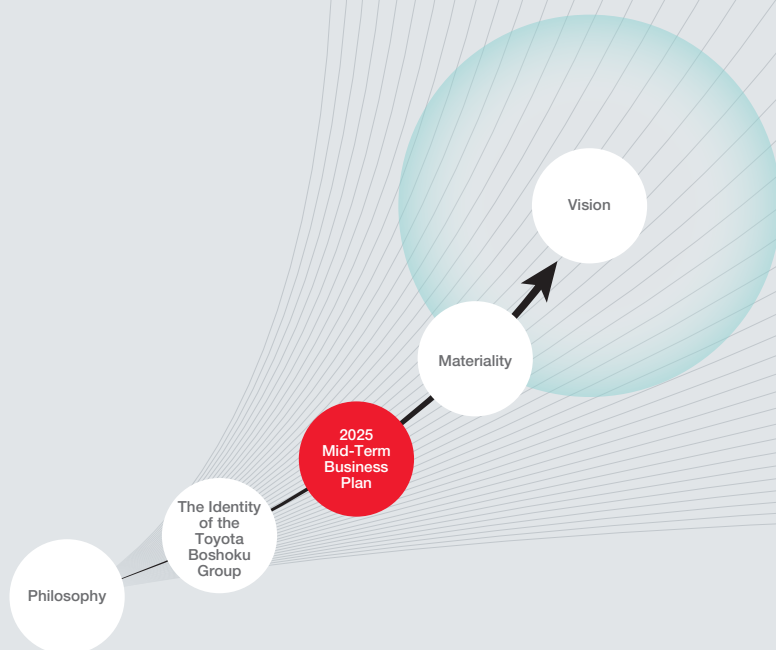




Mid-Term Business Plan

— Action plan to realize materiality —

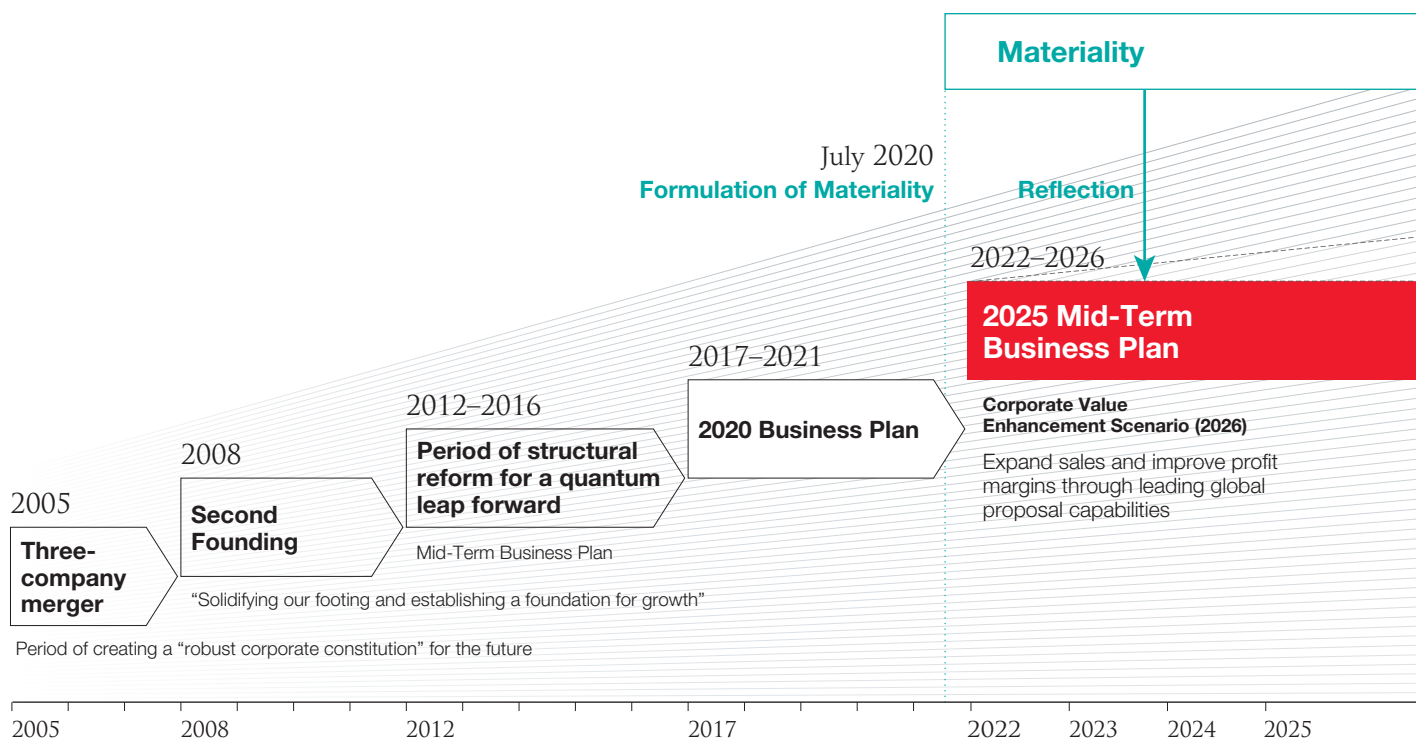
- 43 Overview of business planning
- 45 Review of 2020 Business Plan
- 47 Overview of new Mid-Term Business Plan
- 49 Priority Action **1**
- 53 Priority Action **2**
- 57 Priority Action **3**
- 61 Priority Action **4**
- 65 Strategy by Business
- 69 Messages from Outside Directors
- 71 List of KPIs



Overview of business planning

In fiscal 2021, the Toyota Boshoku group formulated a five-year mid-term business plan starting in fiscal 2022, based on our materiality.

In this process, we clarified our desired status for 2030 and 2025 target, while also setting out our path for medium- to long-term growth and the issues to be resolved during that time.



Steady growth since three-company merger Achieved sales of 1 trillion yen in FY2007

In October 2004, there was a three-way merger between Araco Corporation (car interior components business), Takanichi Co., Ltd. and Toyota Boshoku Corporation. As the Toyota Boshoku group, we set out to become a leading global interior system supplier and filter manufacturer.

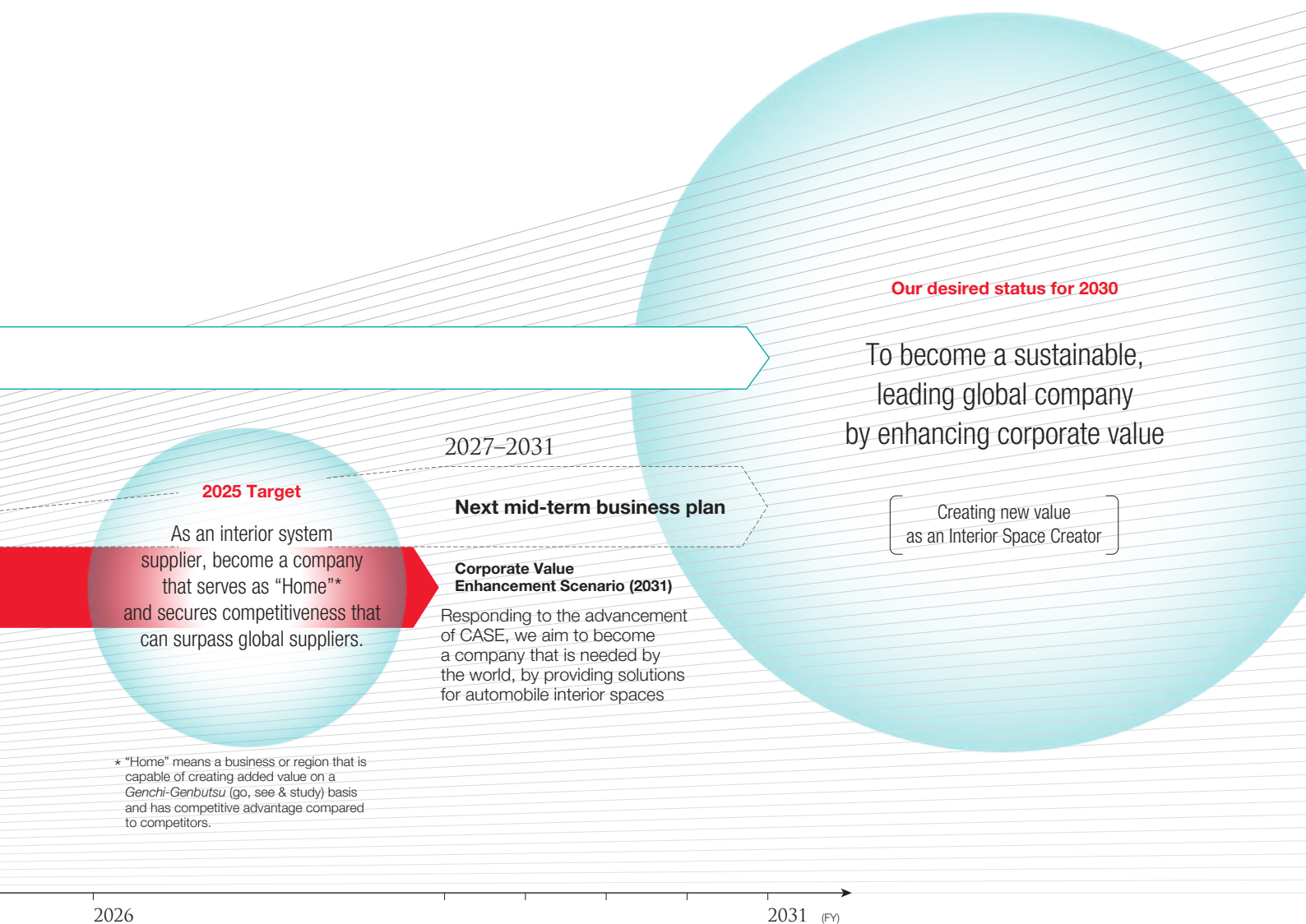
We achieved our initial target of 1 trillion yen in sales in fiscal 2007. The period from fiscal 2008 onward was positioned as our “second founding,” during which we focused on completing our advance measures for growth and solidifying our foundation to become a “truly global system supplier.” We promoted structural reforms during the mid-term business plan period starting in fiscal 2012, and achieved sales of 1.4 trillion yen in fiscal 2016.

In our subsequent 2020 Business Plan (see p.45–46 for details), we strengthened our competitiveness and management foundation, and built a corporate structure capable of securing stable earnings. Although we fell short of our targets in the final

year of the plan, due in part to the coronavirus pandemic, we completed preparations for the next step by further bolstering our structure through our response to the severe conditions.

To enhance corporate value, formulated materiality as the approach we adopt to resolve important issues

From fiscal 2020, the Toyota Boshoku group began planning its 2025 Mid-Term Business Plan. Aiming to realize a transformation from conventional CSR to CSV management, we identified the important issues to be addressed to achieve this. To enhance corporate value, we formulated materiality as the approach we adopt to resolve the important issues (see p.35–38 for details) to be prioritized through our business operations, identified from among a variety of social issues. We have formulated our 2025 Mid-Term Business Plan based on this materiality.



Launch of the 2025 Mid-Term Business Plan, which clearly sets out measures for implementing materiality

The 2025 Mid-Term Business Plan announced in November 2020 is a medium-term plan for realizing our materiality (see p.47–48 for details). We aim to accomplish the plan while also incorporating issues left over from the 2020 Business Plan.

In the 2025 Mid-Term Business Plan, we have clearly stated our Corporate Value Enhancement Scenario up to the years 2030 and 2025, having determined our desired status for 2030 and 2025 target. These have been backcasted from our desired status for 2030, which is the future vision we have set based on our materiality.

The growth story that the Toyota Boshoku group aims to tell through a series of policies and plans is as follows. Namely, over the five-year period starting in fiscal 2022, we will consolidate our ability to be entrusted by customers worldwide with automobile interior spaces, by manufacturing high-quality products at an affordable price and expanding our product range. In addition,

through activities to win the Deming Prize,* we will improve the operational quality of all work and equip ourselves with the ability to solve social issues through innovation. This will enhance not only our competitiveness, but also our presence and experience in the market, and will expand our field of business. Over the next five years, we aim to build a track record of proposing solutions for automobile interior spaces, and become a trusted partner in the global market. We will also establish a position as an Interior Space Creator that itself creates new value.

The founding spirit of the Toyota Boshoku group, “for the world and for people,” is the accumulation of small steps. By determining what we need to do and steadily accomplishing each task one by one, we will grow into a corporate group that can make an even better and more significant contribution to society.

* One of the highest awards on TQM (Total Quality Management) in the world established by Union of Japanese Scientists and Engineers

2020 Business Plan

(For the five-year period 2016–2020)

2020 Mid-term Business Implementation Plan

Social value	1	Contribute to enhancing social value through activities that meet the expectations of every stakeholder	
Economic value	Corporate Value Enhancement Scenario		Business Strategies
	Establish a corporate structure capable of securing operating profit ratio of 5% or more		Existing businesses
	2	Solidify our footing by implementing the Mid-term Business Implementation Plan	● Improve profitability and ensure continuous expansion of core businesses
	3	Raise “earning power” in core businesses	New businesses
	4	Create new value by foreseeing social needs	● Develop and commercialize products in growth fields by utilizing our technological capabilities
			● Develop products for emerging markets and find new customers
			● Promote commercialization of new business needs

In 2016, we formulated the 2020 Mid-term Business Implementation Plan, a five-year plan, and carried out activities in line with the four pillars of “Corporate growth while fulfilling our responsibility in harmony with society,” “Strengthen management foundation,” “Strengthen competitiveness,” and “Offer multi-dimensional value/Expand business fields.” The goal here was to “establish a corporate structure capable of securing operating profit ratio of 5% or higher” by leveraging the foundation established through structural reforms and solidifying

our footing following the three-company merger of 2004.

We are also focused on developing new technologies and new products in anticipation of the environment surrounding mobility in 2030. Another focus is CSR activities, especially from an environmental perspective, and we have formulated an environmental action plan and other measures to meet the expectations of our stakeholders while complying with laws, regulations, and ethics.

Business targets

Steadily strengthening earning power in preparation for the next step

Looking back on the 2020 Business Plan, we fell short of our targets in the final year of the plan, due in part to the coronavirus pandemic, with revenue of 1,272.1 billion yen compared to our target of 1,400 billion yen, and operating profit of 57.1 billion yen compared to our 70 billion yen target. However, we estimate that, excluding the impact of the pandemic, we achieved our targets.

Furthermore, our earning power has been steadily improving as a result of our enhanced competitiveness and management foundation. In addition, issues for sustainable growth in response to environmental changes (see p.46 for details) have been clarified.

	Target	Result
Revenue (100 million yen)	14,000	12,721
Operating profit (100 million yen)	700	571
Operating profit ratio	5% or higher	4.5%
ROE	10% or higher	10.0%
Equity ratio	Around 40%	39.6%
Capital investments (100 million yen) (FY2019–FY2021)	1,800	1,667
R&D expenses (100 million yen) (FY2019–FY2021)	1,400	1,346

Action plan to realize materiality

Major achievements and issues

We have been able to strengthen our advanced development with a view to 2030, including collaboration with the Toyota Group. A symbolic result of this effort is the MX191, an automobile interior space model designed for autonomous driving levels 3 and 4. Another achievement has been the establishment of a business foundation for the new customer

business, including the development of the compact car business in emerging nations and commercialization of the aircraft seat business.

Although we have achieved these results, there are still issues to be addressed, and we aim to realize further growth by solving these issues.

2020 Mid-term Business Implementation Plan

Major achievements

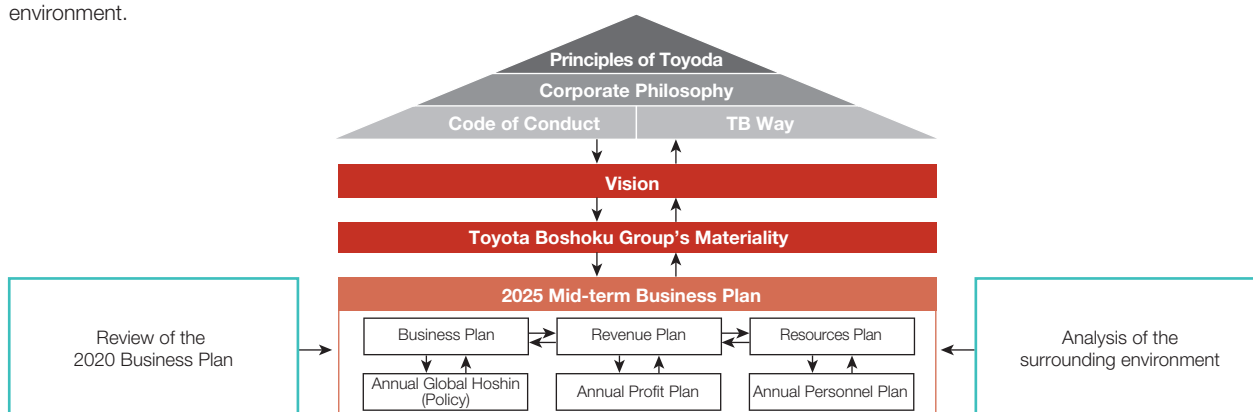
Issues

1	Corporate growth while fulfilling our responsibility in harmony with society	
Contribute to enhancing social value	<ul style="list-style-type: none"> Examinated a shift to CSV management and formulated materiality 	<ul style="list-style-type: none"> Formulating next Mid-term Business Plan based on materiality (see p.35–38)
2	Strengthen management foundation	
Strengthen global management foundation	<ul style="list-style-type: none"> Create Business Management Structure Developed efficient organizations Promoted global utilization of human resources 	<ul style="list-style-type: none"> Create management information infrastructure Further promote “vibrant workstyle innovation”
3	Strengthen competitiveness	
Develop new technologies and new products towards 2030	<ul style="list-style-type: none"> MOOX (see p.27–30) Tide generating force Five senses + air quality system development 	<ul style="list-style-type: none"> Plan commercialization of growth strategy items
Strengthen system supplier system	<ul style="list-style-type: none"> Trial launch of model project 	<ul style="list-style-type: none"> Expand business fields
Further enhance our fundamental capabilities in manufacturing	<ul style="list-style-type: none"> Make a 26% reduction in development man-hours Promote plant autonomy 	<ul style="list-style-type: none"> Promote digitization Utilize global R&D Realize optimal production and supply systems Establish a procurement base to strengthen competitive advantage
4	Offer multi-dimensional value/Expand business fields	
Promote new businesses	<ul style="list-style-type: none"> Developed products for emerging nations, and launched pilot production of lithium ion batteries 	<ul style="list-style-type: none"> Establish mass-production technology in response to market electrification

Formulation of 2025 Mid-Term Business Plan

We proceeded to formulate the 2025 Mid-Term Business Plan based on elements including our materiality formulated in 2020, internal issues for 2025, and analysis of the surrounding environment.

We will strive to enhance our corporate value by solving social issues through our business operations.



2025 Mid-Term Business Plan

In the 2025 Mid-Term Business Plan, our target is “As an interior system supplier, become a company that serves as “Home”¹ and secures competitiveness that can surpass global suppliers.” We have formulated a Corporate Value Enhancement Scenario and Business strategies for 2025 and 2030, and have drawn up Priority Actions to achieve them.

¹ “Home” means a business or region that is capable of creating added values on a *Genchi-Genbutsu* (go, see & study) basis and has competitive advantage compared to competitors.

2025 Target

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

Corporate Value Enhancement Scenario

2025

Expand sales and improve profit margins through leading global proposal capabilities

- (1) Strengthen corporate structure (with the break-even point reduced to below 70%) by reinforcing existing core businesses, and reallocate resources to growth fields
- (2) Differentiate our products based on thorough competitor benchmarking, expand sales to strategic OEMs other than Toyota
- (3) Improve work quality through efforts to win the Deming Prize
- (4) Consolidate the ability to solve social issues through innovation

2030

Responding to the advancement of CASE, we aim to become a company that is needed by the world, by providing solutions for automobile interior spaces

- (1) Maintain earnings from existing core businesses
- (2) Acquire expertise and capabilities necessary to become an Interior Space Creator, and seek efficient ways to introduce technologies, including alliances
- (3) Establish a mobility space solution business model and make achievements
- (4) Implement work reform (digital transformation (DX)) based on thorough systemization to ensure resources

Priority Actions

- 1** Pursue safety, environment and comfort, and increase customers, thereby evolving into a trusted supplier capable of offering optimal proposals to customers → P.49
- 2** Thoroughly improve productivity and implement business strategies, while enhancing cooperation among Product business segments and Regions → P.53
- 3** Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives → P.57
- 4** Establish a resilient global management foundation and develop human resources to support sustainable growth → P.61

Business Strategies

Existing businesses

- (1) Reinforce core businesses and expand sales to new customers
- (2) Raise earning power and promote investments in new growth fields

- Seats** → P.66
- Interior & Exterior** → P.67
- Unit Components** → P.68

New businesses

- (1) Respond to the advancement of CASE/MaaS
- (2) Respond to electrification along with market expansion
- (3) Promote new businesses that may serve as our fourth or fifth core businesses

Priority Actions by business and region

↗: Priority Action 1

<Sales expansion>

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

◎: Priority Action 2 3

<Reform of earnings structure>

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

	Japan	The Americas	Asia & Oceania (incl. China)	Europe & Africa	Revenue	(100 million yen)
Seats	◎	◎	↗	↗	10,700	
Interior & Exterior	↗	◎	◎	◎	3,100	
Unit Components	↗	◎	↗	◎	1,600	
Other					600	
Revenue	8,300	2,900	4,000	1,500	16,000	Intracompany eliminations (700)

2025 Mid-Term Business Plan's Business Target

Targets related to economic value

We aim to achieve revenue of 1,600 billion yen plus alpha by expanding sales of existing core products and acquiring new OEMs. We are targeting operating profit of 100 billion yen plus alpha, with a operating profit ratio of 6–7% and ROE of 10% or higher, while securing future growth budget by reducing fixed costs and lowering the cost of goods sold through further efficiency enhancements.

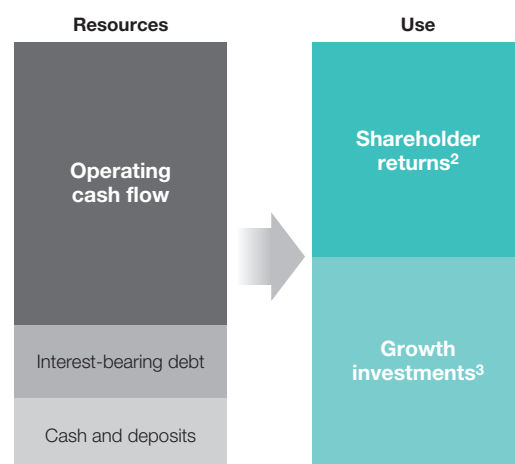
Our policy is to use the cash flow generated to return profits

to our shareholders and to invest in growth. With regard to returns to shareholders, we aim to steadily increase profits based on the approach of long-term dividend stability, and to increase the dividend per share, with a target dividend payout ratio of around 30%. In addition, to further accelerate the pace of growth, we will strategically and aggressively implement alliance investments, capital investments, and R&D.

FY2026 management target

Revenue (100 million yen)	16,000 + α
Operating profit (100 million yen)	1,000 + α
Operating profit ratio	6–7%
ROE	10% or higher
Equity ratio	Around 40%
Net asset (100 million yen)	4,000
Dividend payout ratio	Around 30%
Capital investment (100 million yen) (FY2022–2026 total)	2,500 + α
R&D expenses (100 million yen) (FY2022–2026 total)	2,000 + α

Capital management



² Increase per-share dividend and shareholder returns from various perspectives

³ Investments for alliance to become "Home"

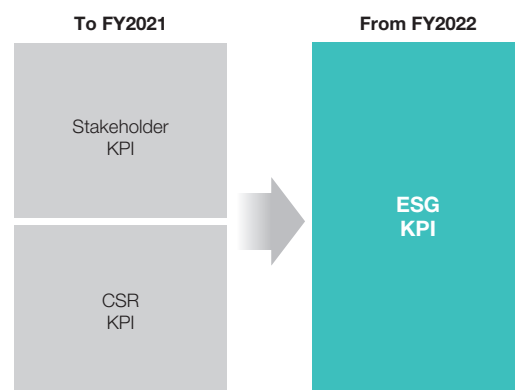
Capital investments and R&D investments for future growth

Targets related to social value

To establish new metrics for measuring social value as we move toward CSV management, we have begun to configure targets from the perspective of ESG. Based on these KPIs, we will meet the expectations of our stakeholders by realizing our materiality and enhancing our corporate value.

We will build a system to monitor the achievement of KPIs and implement the PDCA cycle, aiming to improve corporate value in terms of both social and economic value.

Approach to KPIs



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

Materiality Nos. 1 2 3
Issues in the 2020 Mid-term Business Implementation Plan

- Develop plan to commercialize growth strategy items and add items that will contribute to earnings
- Expand business fields and build a system supplier structure for the future
- Improve development efficiency by promoting digitalization and further strengthening collaboration among R&D bases globally

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.50
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.51
3	Expand sales to strategic OEMs (including Toyota alliance partners)	Transformation into a leading global proposal-driven manufacturer	—
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	—

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

The group is pursuing innovation in next-generation seat devices in its 2025 Mid-Term Business Plan.

1) Seat front frames

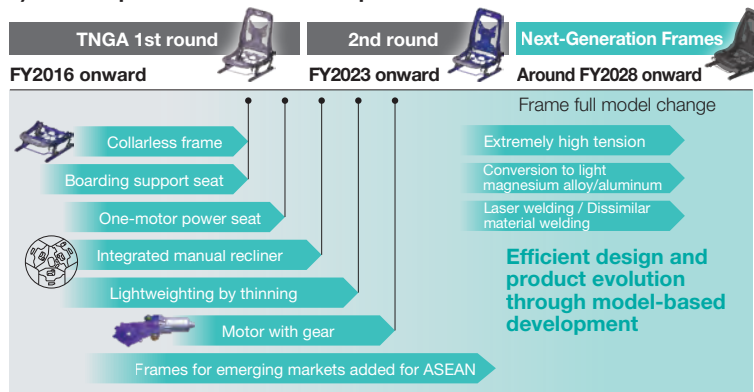
Firstly, for front frames, in 2015 we launched frames as a part of the TNGA program and have been implementing component lightweighting, introduction of high value-added products such as boarding support seats, and cost minimization in order to maintain and improve our competitive advantage. For the next generation frames, we will develop frames with specifications that can be accepted by a wide range of customers by adopting lightweight materials and new production methods, as well as promoting more efficient design through model-based development.*

2) Seat rear frames

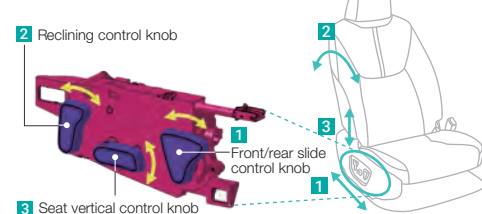
For rear frames, the new frames that had been established for each model have also been standardized into four types under the TNGA concept, thereby achieving economies of scale. For next-generation frames, we will continue to adopt new technologies including lightweighting.

* A product development technique that actively incorporates computer simulation. Aims to shorten the product development period and increase efficiency by using computer modeling to verify operation and performance, which was previously done with actual prototypes.

1) Roadmap for front frame development



One-motor power seat (fitted in Toyota's new Yaris Cross)



- Developed a special clutch box and realized seat functionally equivalent to Power 6 way with "one-motor"
- Achieved lightweighting and price reduction by reducing power components, enabling installation of power seats in affordable-priced vehicles that previously had only manual seat configuration
- Aiming for adoption in a wide range of models

2) Roadmap for rear frame development

		TNGA	Next-Generation Frames
	Up to FY2016	FY2016 onward	Around FY2028 onward
Sedan		Panel frame	
Hatchback Small SUV	Newly establish exclusive frames for each model	Pipe frame	Multi-materials [resin frame, aluminum frame]
Mid-size SUV		Fold-down back frame	Laser welding
Minivan		Minivan back frame	Structural adhesives

Long slide rail (fitted in Toyota's new Sienna)



- Fitted a variable slide load mechanism, achieving development of a product with excellent operability
- Reduces the effect of the seat's own weight compared to the conventional system, enabling smooth backward and forward sliding
- In future, we plan to offer this product to more customers by enhancing convenience through further multi-functionalization and sensor control

Main Initiatives

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

Materiality No.
2

Our activities are based on three axes: Region, Development Field, and Item.

1) Region

We are currently working as an interior system supplier for Toyota Motor Corporation in Japan, Asia, China and parts of Europe. Going forward, we will acquire a procurement capability for North American projects in order to expand the regions where we are active as an interior system supplier.

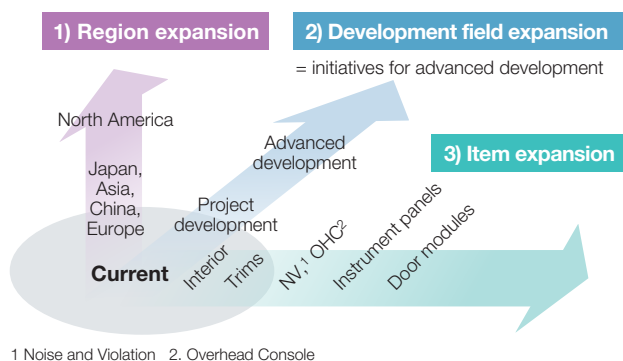
2) Development field

In the expanded new product field, we are launching a pilot project for advanced development to gain the ability to manage all the steps in the value chain, from design to development, evaluation, procurement, manufacturing, quality assurance, and sales.

3) Item

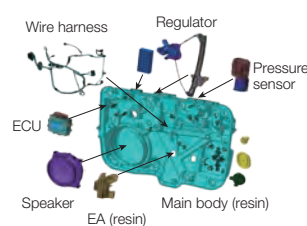
We are promoting activities to acquire components that are not within the scope of the current interior system supplier. With regard to instrument panels, we are working with OEMs to acquire skills and techniques in design, production, and quality assurance in preparation for future item expansion. In door modules, we aim to add value by modularizing components such as wire harnesses and regulators and delivering them directly to customer assembly lines.

Expanding interior system supplier business fields



<Examples of Activities>

- (1) Instrument panels: Acquire skills and techniques in design, production, quality assurance, etc., in preparation for future item expansion
- (2) Door modules: Putting wire harness, regulator and other necessary parts in modules to facilitate assembly of door trims and increase added value



By advancing efforts to expand business fields, we will expand our capacity as an interior system supplier and serve as "Home" in the interior area

Initiatives for field expansion

- Adoption decided
- Efforts for adoption being made

Vehicle model	Start of production	1) Region				2) Development field	3) Item		
		China	North America	Asia	Europe		NV, OHC	Instrument panels	Door modules
B	2023	—	●	—	—	●	●		
C	2023	—	—	—	—	●	●	○	
D	2023	—	—	—	—	●	●		○
E	2024	—	●	—	●	●	●		

Expected effect: Revenue growth of 30 billion yen (FY2026)

Main Initiatives

4

Promote new growth strategic items for electrification

Materiality Nos.

1 2

To address the future electrification of automobiles and environmental issues, we are promoting the following activities in relation to electrified components.

1) Mass production of motor cores for HEVs

A new size motor core was adopted for Toyota's new Yaris and a new line was installed at the Kariya Plant to start mass production.

2) Separator for fuel cell stack

Utilizing the group's unique high-precision stamping and mold technologies, this was adopted for use in Toyota's new MIRAI. The formation process for the path along which hydrogen and cooling water flows to the separator has been significantly shortened, making it possible to achieve 10 times the previous production capacity.

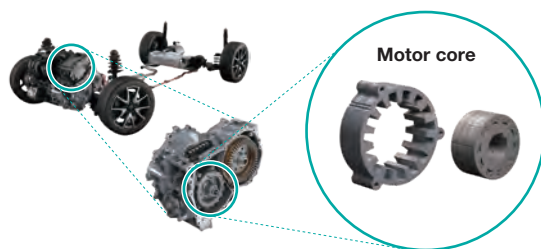
3) Lithium-ion batteries

We are developing products using our microfiber and high-precision stamping technologies, which are the Toyota Boshoku group's strengths, and have set up a pilot line at the Kariya Plant to verify quality and mass-producibility. We are also considering applications other than automobiles, and have installed lithium-ion batteries in automatic guided vehicles at our plants.

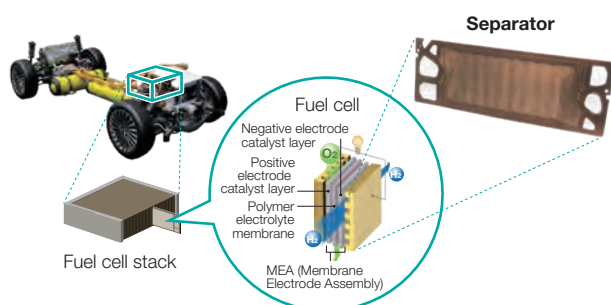
Status of support for electrification

1) Motor cores for HEVs

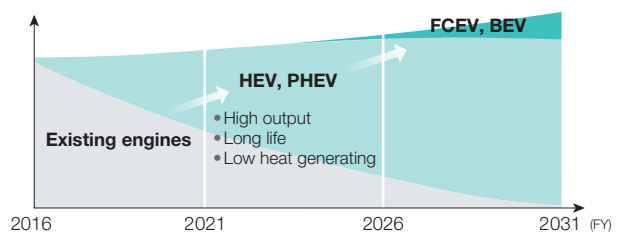
Building a highly extensible production system

**2) Separator for fuel cell stack**

Utilizing our unique high-precision stamping and mold technologies

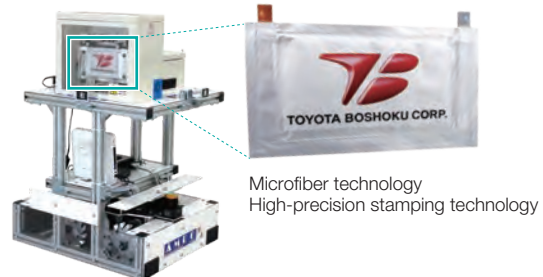
**3) Lithium-ion batteries**

Utilizing our microfiber and high-precision stamping technologies



Automatic guided vehicle

Lithium-ion batteries

Microfiber technology
High-precision stamping technology

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

Issues in the 2020 Mid-term Business Implementation Plan

- Maximize the effects of restructuring in the Japan region

Related Materiality

Materiality No. **3**

Implementation Items / Points

1	Promote true localization in Asia and China to raise marginal profit		→ P.54
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	→ P.55
3	Maximize the effects of restructuring in the Japan region		→ P.56

Main Initiatives

1

Promote true localization in Asia and China to raise marginal profit

Materiality No.

3

To raise marginal profit, we are aiming for “true localization” by achieving localization of raw materials and difficult-to-produce parts.

1) PP (polypropylene) resin materials

In the Asia region, we have completed evaluating materials from local suppliers that implement a *Ji Kotei-Kanketsu* (JKK) approach for PP resin material production, from naphtha refining to compounds, and will employ the materials from next-generation models.

2) Seat precision stamping parts

In China, we are tackling the challenge of purchasing difficult-to-produce parts locally, including precision stamping parts for seat power reclining.

3) Seat lifter brakes

An example of localization of a difficult-to-produce part is a seat lifter brake¹. Currently, we are mainly exporting from Japan to

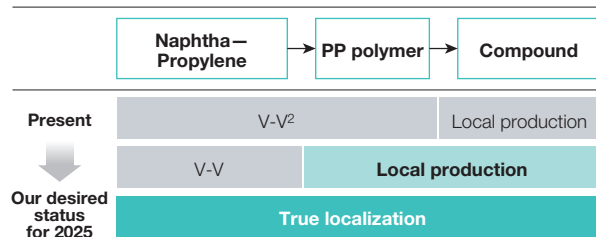
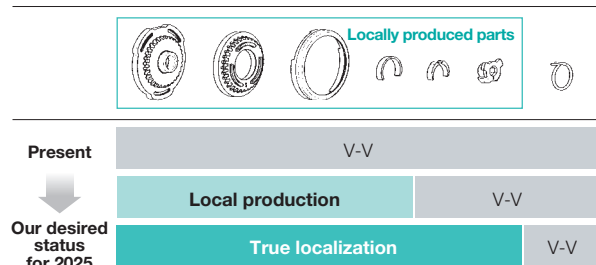
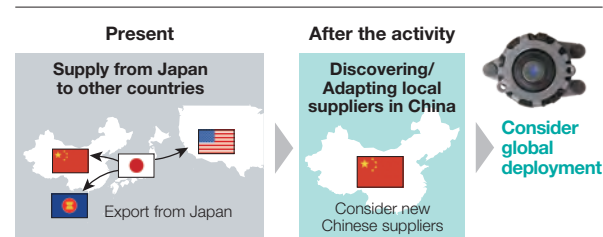
other countries, but going forward we aim to improve our cost competitiveness by discovering and adapting local suppliers in the China region to supply the entire world.

4) PA66 (nylon 66) material

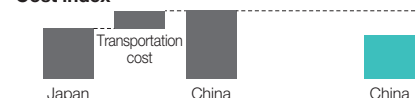
Reacting to the global tightening of demand for PA66 material, first of all we promoted ordering from multiple suppliers to stably secure the required volume and achieve mutual complementing of materials between regions. In the future, we will implement a shift to more versatile material and improve our cost competitiveness globally throughout the supply chain in cooperation with our suppliers.

¹ A height adjusting device for the seat cushion

Our desired status for 2025

1) PP resin materials**2) Seat precision stamping parts****3) Seat lifter brakes**

Cost index

**(4) PA66 material**

Issues	1) Difficulty in securing material 2) Price spike
Countermeasures	STEP 1: Mutually complement materials between regions (to secure quantities) STEP 2: Change to more versatile material (PA6 material)

² Vendor to Vendor

Main Initiatives

2

Improve production systems in China and the Americas ready to respond to production increase at our main customer

In order to respond more flexibly than ever to the diversifying needs of the market and the shortening production cycles of our customers, we are working on the reorganization of production systems globally.

Typical examples of our initiatives are the streamlining of sites in Japan, the reorganization of production systems across regions in the Americas, and the improvement of production systems in China in line with business expansion.

In the Americas region, we are working to reorganize our production system mainly in the Indiana region in preparation for increased production by customers. The plant where we are located is nearby to customer plants. Competition for human resources is fierce, and rising labor costs have also become an issue. As a countermeasure, we are considering centralization and decentralization of processes.

Specifically, the resin molding and assembly processes in door trim production will be consolidated at the Kentucky Plant. For seat production, we have started exploring the possibility of consolidating the production of seat frames from the Illinois Plant to the Tennessee Plant.

Meanwhile, in the China region, we aim to increase the production capacity of our plants with a view to expanding our business. In particular, we will begin to boost production capacity in the Guangzhou region, but we are also aiming to maximize plant profits by looking to increase capacity through minimal investment in both production capacity and logistics reorganization in the Tianjin region.

In Japan, we are in the process of streamlining our sites and reorganizing logistics, among other measures, to improve marginal profit.

Reorganization of sites globally

Promote global reorganization of sites, including consolidating production operations by 2025 (Consider centralization and decentralization of production processes)

The Americas

Production reorganization across regions (Midwest to South)

Increase production capacity in stages to meet business expansion

China







Polarization of Tianjin and Guangzhou + Increased production

Japan

Thorough improvement of marginal profit by streamlining sites, reorganizing logistics, etc.

Reorganization of the Americas region

Improvement of production systems in the Indiana region

	Seat frames			Door trims		
Process	Stamping, welding Sub Assy 	Welding Assy 	Seat Assy 	Middle board (rolling surface skin on base metal) 	Upper board (vacuum forming) 	Door Assy 
Present	Tennessee Plant	Illinois Plant Indiana Plant		Kentucky Plant	Illinois Plant Indiana Plant	
After reorganization	Tennessee Plant		Illinois Plant Indiana Plant	Kentucky Plant		Illinois Plant

Welding Assy will be consolidated to the Tennessee Plant

Boards and a part of Door Assy will be consolidated to the Kentucky Plant

Main Initiatives

3

Maximize the effects of restructuring in the Japan region

Materiality No.

3

In the Japan region, we are required to respond more quickly and flexibly to market needs, such as production reorganization across the regions of our customers, and unprecedented production fluctuations. We are working to further increase the flexibility of production and supply to meet the expectations of our customers throughout the supply chain.

In fiscal 2021, we reorganized three sites: Fuji Susono Plant, Bisai Plant, and affiliated company TB Sewtech Kanto.

In fiscal 2022, we will expand the scope of our affiliates and reorganize them, aiming to maximize the effects of this reorganization.

In the area of logistics, we have merged two affiliated companies, TB Logistics Service and Kotobuki Rikuun, and are working to improve the competitiveness of logistics not only for

our group, but also for the Toyota Group as a whole by implementing more in-depth logistics reorganization.

Specifically, we will implement measures such as improving profitability through lower logistics costs by setting logistics KPIs and managing them on a global basis, including consolidating/eliminating transportation routes and improving truck loading rates. We will also contribute to carbon neutrality by reducing CO₂ emissions. In this way, we will continue striving to enhance our corporate value.

Restructuring in the Japan region

Expand production reorganization, including at affiliated companies as well as our own sites

● Actions for 3 priority regions

 Owari region

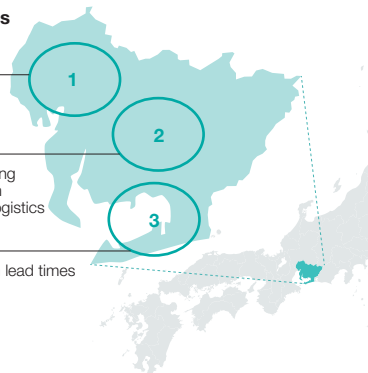
Process reallocation, especially in the fiber business

 Toyota region

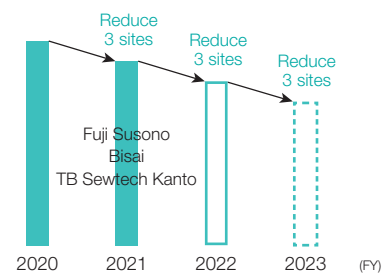
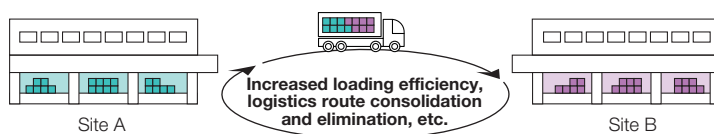
Accelerate restructuring focusing on concentration of production processes and integration of logistics

 Toyohashi region

Start to shorten production lead times including affiliates



● Reorganization of production sites

Reduce logistics costs through logistics reorganization and logistics KPI management, and accelerate the reduction of CO₂ emissions

Logistics KPI management in Japan is being rolled out globally

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

Materiality No. **3**

Issues in the 2020 Mid-term Business Implementation Plan

- Strengthen MONOZUKURI competitiveness through digital transformation (DX)
- Realize an optimal global production and supply system
- Develop mass production technology in response to market electrification

Implementation Items / Points

1	Improve work quality by implementation of TQM by all company members	Promote understanding of and familiarization with TQM activities to secure competitive advantage in the future	—
2	Realize an optimal global production and supply system	Achieve the target break-even point	—
3	Establish supply bases for global competitiveness	Build robust supply chain management	→ P.58
4	Strengthen global MONOZUKURI competitiveness by promoting DX	Create “connected factories” in the global supply chain	→ P.59
5	Minimize environmental stress by promoting MONOZUKURI innovation	Achieve the 2050 Environmental Vision by implementing environmental management	→ P.60

Main Initiatives

3

Establish supply bases for global competitiveness

Materiality No.

3

In order for us to realize competitive manufacturing on a global scale, it is essential to promote strong collaboration between the many suppliers supporting us and each division, and to conduct globally unified activities to restructure the supply chain, based on development, collaboration, and discovery of suppliers, with the aim of growing together.

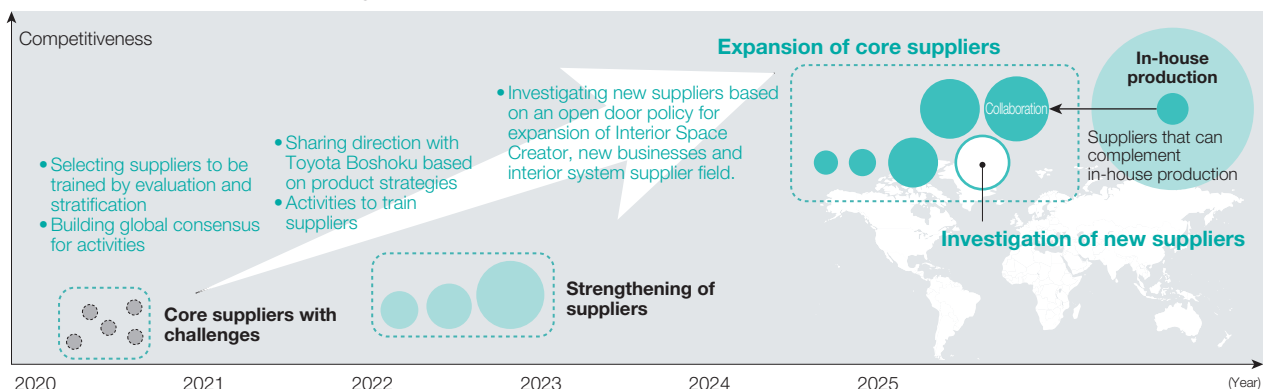
In each region, we hold an Annual Supplier Meeting, and our suppliers carry out activities on quality, safety and CSR to strengthen their business structure. We also have discussions with suppliers regarding the issues at hand while suppliers are set Safety, Quality, Cost, and Delivery (SQCD) achievement targets. Through these activities, as our 2025 Target, we will expand core supplier groups capable of achieving higher-level SQCD, and develop suppliers that can complement our in-house production.

Specific examples of core supplier cultivation and training activities:

- 1) To develop suppliers that can be fully entrusted with seat cover, we have seconded personnel from each division of Toyota Boshoku to strengthen their functionality
- 2) To strengthen door trim surface rolling suppliers, we are conducting improvement activities in unison with our suppliers to strengthen their corporate structure, including profitability
- 3) In recent years, business succession among suppliers has become an issue, and as a countermeasure, we and our suppliers have held TOP management meetings to share our advantages and disadvantages. We make up for the suppliers such as by promoting activities to strengthen the next generation of managers

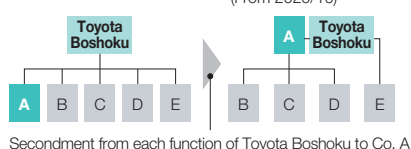
Restructuring supply chains through evaluation and stratification (higher-level SQCD)

Roadmap to Achieve Our 2025 Targets



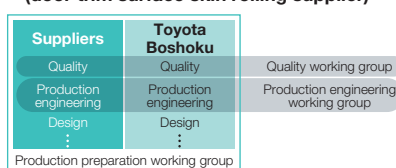
1) Cultivation of core suppliers (trim cover supplier)

(From 2020/10)



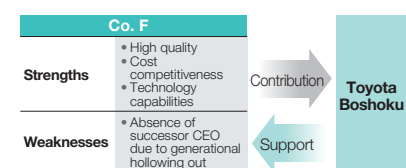
Co. A becomes a core supplier with enhanced functions

2) Supplier Development Activity (door trim surface skin rolling supplier)



Strengthen suppliers' earnings base by promoting improvement activities in which Toyota Boshoku and suppliers work together

3) Supplementing suppliers



Share strengths and weaknesses at TOP management meetings, providing support for business succession issues and training the next generation of managers

Main Initiatives

Strengthen global MONOZUKURI competitiveness by promoting DX

3

As we work to strengthen MONOZUKURI competitiveness through the promotion of DX, we are focused on the following three areas as the main pillars, with the MONOZUKURI Innovation Center, completed in January 2020, serving as the hub.

The first pillar is the use of IoT technology. By visualizing the operation status of production sites and utilizing manufacturing traceability information, we will achieve consistent quality globally, promote sign monitoring, accelerate site improvements, and enhance on-site capabilities. At present, we are promoting the rollout of IoT to sites outside of Japan by the end of 2025, and will build a Global Information Network connecting Japan and regions outside of Japan.

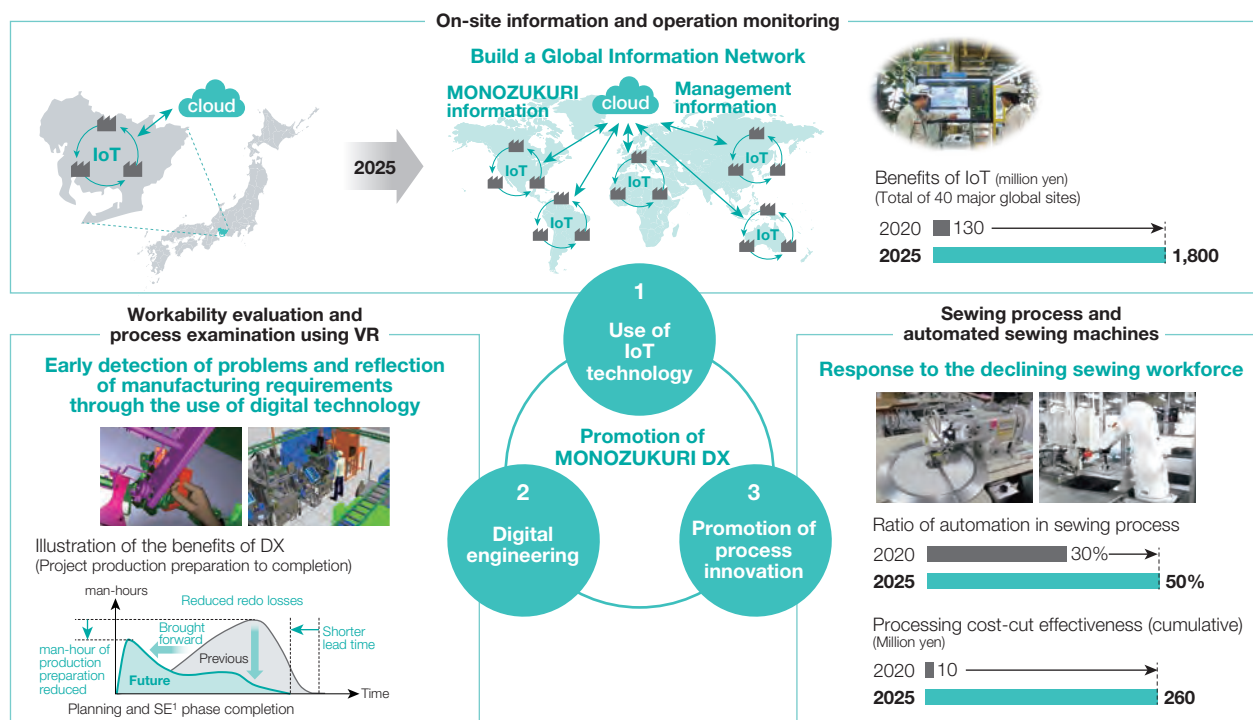
The second pillar comprises our digital engineering initiatives.

At the early stage of production preparation, by integrating conventional knowledge such as the TPS (Toyota Production System) with digital technologies such as VR and simulation, we will shorten lead times, and reduce man-hours and redo losses. Automation, AI, and sensing technologies will become important.

The third pillar is process innovation incorporating the above elements. This will accelerate digital engineering as we aim to realize innovative processes and work style reform.

Through these three pillars, we aim to further improve our MONOZUKURI competitiveness by the resulting enhancement of on-site capabilities through IoT, and the strengthening of production readiness through digital engineering and process innovation.

Three pillars for strengthening MONOZUKURI competitiveness by promoting DX



1 Simultaneous Engineering: Vehicle development based on concurrent implementation of the technology, production engineering and manufacturing stages.

Main Initiatives

5

Minimize environmental stress by promoting MONOZUKURI innovation

Materiality No.

3

The Toyota Boshoku group has set a goal of zero CO₂ emissions in its 2050 Environmental Vision, has clearly defined milestones to reduce emissions by 25% in fiscal 2026 and by 38% in fiscal 2031 compared to fiscal 2014, and is achieving these targets every year.

We are working on the following three specific initiatives for carbon neutrality.

1) Promotion of daily improvements

Completion of 40 items for energy-saving improvement and promotion of *Karakuri Kaizen*²

2) Application of innovative technologies

Introduction of an experimental plant with CO₂ recovery and methanation system

3) Introduction of renewable energy

Systematic introduction of solar power generation via PPA³

In our 2025 Environmental Action Plan, we set out our aim of achieving a 15% renewable energy adoption rate by fiscal 2026,

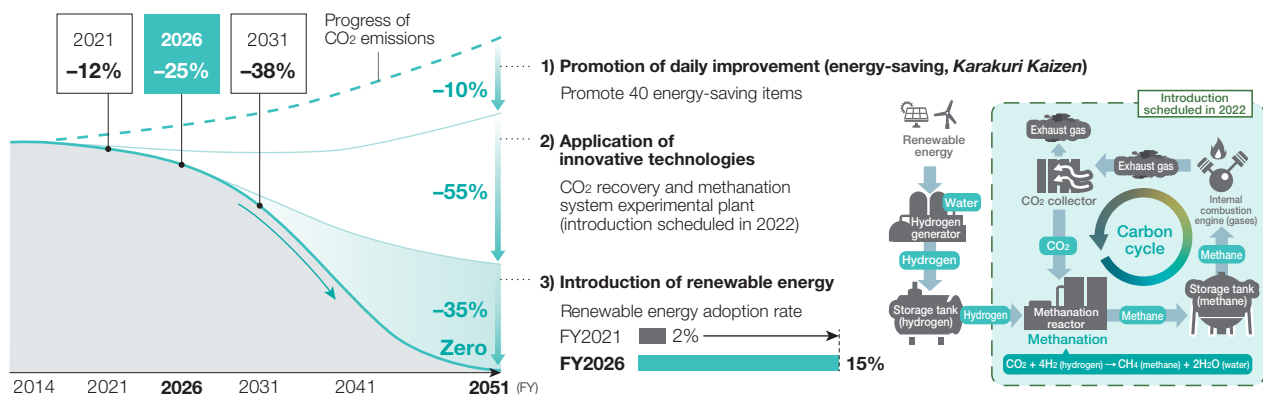
including solar power, and we are promoting this globally.

Reducing lifecycle CO₂ emissions is also an important issue, and we will expand the scope of our activities to include the entire value chain.

In order to meet the ambitious target of carbon neutrality by 2050, we have established the Carbon Neutral Environment Division and will enhance collaboration with the Toyota Group, Japan Automobile Manufacturers Association, Japan Auto Parts Industries Association, etc.

2 On-site problems and issues are identified by the people working there, and improvements are made with a smaller environmental impact and at lower cost by using natural energy such as gravity and simple mechanisms/systems such as gears and the principle of leverage.

3 Power Purchase Agreement: A direct agreement between a party that generates electricity and a user

Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group in 2050 (Base year: FY2014)Challenge of achieving zero CO₂ emissions in the product life cycle

Promote activities throughout the entire value chain

4

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

Activity Targets

Integrate and utilize management information to monitor progress toward achieving the 2025 Mid-Term Business Plan, and expedite decision-making

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

Materiality Nos. **4** **5**

Issues in the 2020 Mid-term Business Implementation Plan

- Continuously improve risk-response capabilities through the PDCA cycle
- Further enhance the Business Management Structure
- Speed up and steadily implement the PDCA cycle for management
- Develop human resources using skill maps
- Further promote vibrant work style innovation

Implementation Items / Points

1	Integrate core business information and follow-up using Corporate Performance Management (Core: Sales, Development, Investment, Production, Headcount, Profit)		→ P.62
2	Expedite decision-making (Accelerate identification of issues and implementation of countermeasures)	Improve efficiency of input resources and maximize returns	→ P.62
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

Main Initiatives

1	Integrate core business information and follow-up using Corporate Performance Management (Core: Sales, Development, Investment, Production, Headcount, Profit)	Materiality No. 5
2	Expedite decision-making (Accelerate identification of issues and implementation of countermeasures)	

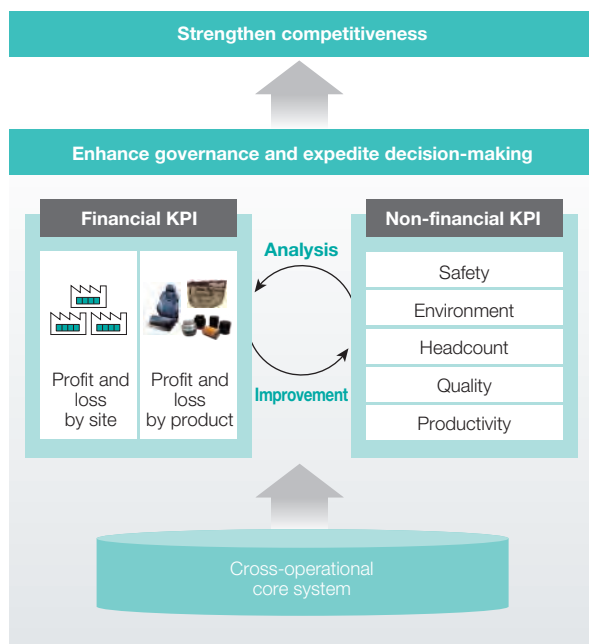
We are promoting the integration of financial and non-financial information related to manufacturing, including sales, development, investment, production, and headcount, which is a prerequisite for the 2025 Mid-Term Business Plan, with the aim of monitoring achievement of the mid-term business plan and expediting decision-making.

We are building an infrastructure that can be shared globally among management, administrators and members. We have shortened the lead time for collecting financial information and improved the accuracy of profit and loss figures for each product as well as profit and loss forecasts by consolidating and

centralizing the financial information of each region and site from all over the world in a timely manner.

Going forward, we will further strengthen governance and accelerate decision-making by refining the profit and loss forecasts in our mid-term business plan, monitoring progress, and enhancing manufacturing-related non-financial information, and thereby steadily implement our 2025 Mid-Term Business Plan.

Integration of Management Foundation Information



Main Initiatives

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)

Materiality No.

4

As the Toyota Boshoku group expands its business globally, it is important for us to maximize the use of our limited management resources and improve our organizational capabilities.

In order for company members around the world to work with vigor 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.

Based on the Global HR Platform, which is a common global Human Resource system, we are promoting the following points—first in Japan, then based on those results, expanding to various regions around the world.

1) Develop a structure for training personnel and optimizing skills

We will develop autonomous and highly specialized human resources by drawing up a development plan based on skill maps linked to the division of duties, and by having supervisors and members work together to improve problem-solving skills through OJT.

2) Optimize and standardize organization

We are establishing guidelines of management span and organizational templates to promote proper allocation of functions.

3) Create appropriate personnel plans

We will formulate appropriate personnel plans based on global personnel guidelines, and promote a lean organization with the right people in the right positions and a work environment in which diverse human resources can play an active role.

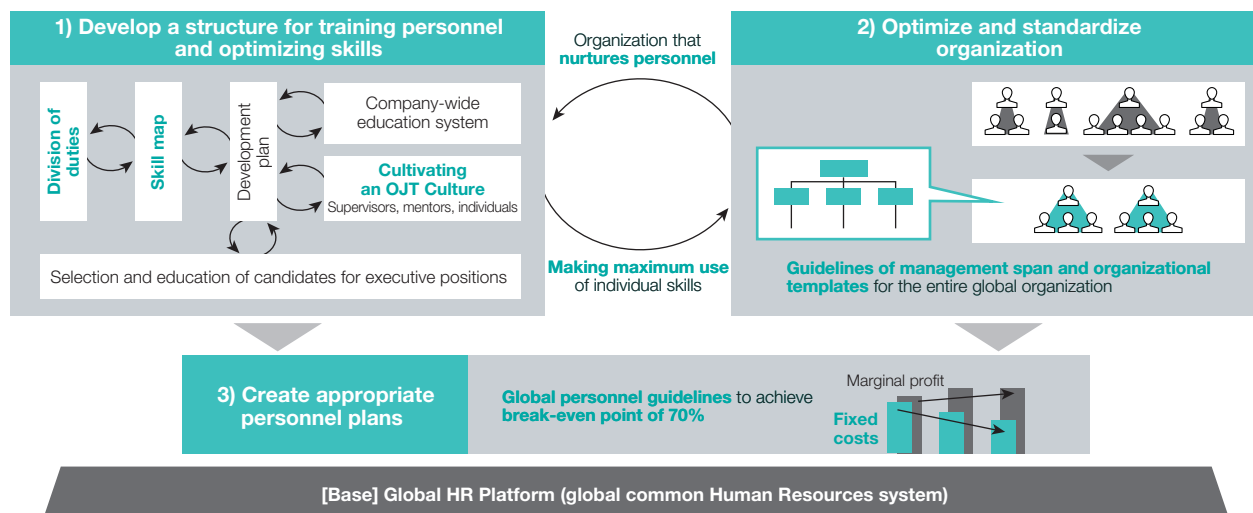
In the future, we will continue with promotion of executive candidates to cross-regional positions based on GSCT¹ deliberations, education under the programs for executives and managers (GEDP,² GLDP³), as well as further promotion of diversity.

1 Global Succession Committee by Top Executives: Succession Plan Committee by CxO (Chief Officer titles) and above executives

2 Global Executive Development Program: Selective training program for senior executive positions

3 Global Leader Development Program: Selective training program for junior executives and managers

Global Human Resource Development Structure



TOPICS

Development of manufacturing skills

The Toyota Boshoku group has held a Skills Competition every year since fiscal 2007 to develop outstanding manufacturing skills. Since fiscal 2011, the competition has been held as “the All Toyota Boshoku Skills Competition,” including participants from around the world who have won their qualifying rounds.

Although the event was canceled in fiscal 2021 due to the coronavirus pandemic, there were calls from many people to hold an event to ensure that the “spirit of MONOZUKURI” was not forgotten even under such circumstances. We therefore held a “New Year *Koma Taisen*,” a competition to make spinning tops known as “*koma*,” to which each site connected remotely. Participants used their own creativity and ingenuity to design and fabricate their own spinning tops, competing on rotation time and durability.



All sides bringing their A-game

Social contribution through company sports activities

Four clubs—Long Distance Team, Women’s Basketball Team, Rowing Team, and the Toyota Boshoku Kyushu Handball Team—are engaged in activities that contribute to the development of young people under our corporate philosophy “The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen.” For example, we hold sports classes for children, not only to improve their technical level, but also to teach them the importance and fun of sports. We also give lectures on achieving one’s dreams and hard work. We will continue to contribute to the local community through social contribution activities in response to “new normal” and each club’s activities.



Hands-on handball class at an elementary school

Forestation activities

Our group’s forestation activities are spreading around the world, with the goal of planting 1.32 million trees by 2050. Not only our company members, but also their families, our business partners, labor unions, and local residents participate in these forestation activities, providing an opportunity to learn and think about biodiversity and a sustainable global environment. In fiscal 2021, we planted 61,000 trees, exceeding our target of 54,000 trees, bringing the total number of trees planted by fiscal 2021 to 530,000. (Breakdown of trees planted per region: Japan—23,000, the Americas—8,000, Asia & Oceania—12,000, China—15,000, Europe & Africa—3,000)



With the cooperation of a French environmental conservation organization, Toyota Boshoku France members and their families participated in planting 600 trees on the company’s premises

Results of FY2021 initiatives

Seat Business

Revenue (billion yen)



Producing attractive products as an industry-leading seat professional

We will continue to pursue comfort, safety, and reassurance, and contribute to people's quality of life through even more competitive manufacturing of high-quality seats based on MONOZUKURI innovation, in collaboration with Toyota alliance partners and other business partners.

Initiatives in fiscal 2021

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

Maximizing seat value

- Develop the SAFETY seat to meet the needs of the CASE society
- Create new value and bring products to fruition
- One-motor power seat for Toyota's new Yaris Cross (world's first)
- Dual-position rear seatback lock for Toyota's Harrier
- Easily operated long slide rail in Toyota's new Sienna
- TNGA minivan integrated frame
- Seatback-linked retractable ottoman

Adopting seats that are suited to their application

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

Establishing a highly efficient production system

- Complete 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)



Develop and promote future business strategies aimed at being an interior system supplier

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 OEMs.

Initiatives in fiscal 2021

Initiatives to become an interior system supplier

Incorporating new components and expanding our technological domain

- Start activities to acquire instrument panel R&D capabilities
- Start planning and R&D proposal activities for noise, vibration, and heat insulation

Expanding regions served as a system supplier

- Start development as a system supplier in China and North America

Conducting activities to strengthen global competitiveness

- Establish an all-Toyota Boshoku production scheme that conforms to the standard door trim structure

Expanding sales to strategic OEMs

- Orders for BMW ceiling business in China region

Unit Components Business

Revenue (billion yen)



Accelerate new product development looking into the age of electrification, create new values forwarding new business with applying core technologies

This business with main four 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 of existing business of filters and plastic parts for ICE, we will outspread product range of motor cores and FC-related products in response to vehicle electrification.

Initiatives in fiscal 2021

Strengthen existing and new business competitiveness, and evaluate technological capabilities

Existing businesses

Filter products

- Enlarge lineups of high-quality and reasonably-priced parts for filter market of oil, cabin and air
- Spread our original brand in aftermarket in China and Thailand

Plastic parts for ICE

- Expand sales by improving performance and price competitiveness
- Start production of unit components at Miyagi Plant (subsidiary Toyota Boshoku Tohoku)

Motor core

- Be awarded small type motor core for Toyota's new Yaris and start mass production

FC-related products

- Start mass production of separators for fuel cell stack of Toyota's new MIRAI

Lithium ion batteries

- Be ready for small volume production with pilot production line

New businesses

Revenue in FY2021 has been affected by reduced production resulting from the coronavirus pandemic

Seat Business

Toward achieving fiscal 2026 targets

Aiming to be the seat supplier of choice for many customers, with world-leading advanced technologies and product lineups

Aiming to achieve the targets set out in our 2025 Mid-Term Business Plan, we define “Home” as being able ourselves to add value from the end-user’s perspective as a seat supplier, surpassing our rivals in terms of competitiveness, and being chosen by customers. Specifically, this means offering high product competitiveness and a broad product lineup, and proposing seats with industry-leading advanced technology.

Also, it is essential to thoroughly improve quality in order to win the Deming Prize, and to expand sales to Toyota and non-Toyota OEMs. We will work to achieve the goals as we aim to become a “Home” of seat business.



Takashi Yamamoto
Director, Operating Officer,
Chief Technology Officer,
Segment Chief, Seat Business
Segment

SWOT Analysis

Strengths

- Stable business as a seat system supplier
- Collaborative structure with Toyota Group companies
- High potential derived from business integration and business alliances
- R&D and production sites located worldwide

Weaknesses

- Activities to receive orders from new customers
- Internalization of new technologies required for CASE and MaaS

Opportunities

- Possibilities of seats in conjunction with the transition to autonomous driving
- Opportunities for strengthening collaboration
- Initiatives for the SDGs
- Initiatives for carbon neutrality

Threats

- Trend of global mega-suppliers
- Entry into CASE and MaaS from other industries
- Response to COVID-19

Strategy

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

- **Pursue the possibilities of seats in response to CASE and MaaS**
Provide new value in mobility interior space
- **Realize highly efficient production**
Enhance competitiveness by consolidating and automating production processes
- **Strengthen sales to other companies**
Strengthen competitiveness to counter global mega-suppliers and lead the industry

Fiscal 2022 Action Plan

- Achieve integrated product development by enhancing conventional processes from development through to production
- Study product development and business models with considering CASE and MaaS
- Strengthen proposals from the end-user’s perspective through thorough benchmarking
- Optimize the global production structure
- Further strengthen ties with other companies

Interior & Exterior Business

Toward achieving fiscal 2026 targets

Aiming to become an interior system supplier that can offer integrated solutions from design to production

In order to become an interior system supplier that surpasses our competitors, we will strengthen our response as a system supplier, not only in Japan but also on a global scale. To achieve this, we believe it is important to make a clean break from the attitude of waiting for customer requests and instructions, and instead be able to make proposals to customers by taking charge of the entire process from design and development through to procurement and production.

We will carry out initiatives aimed at achieving carbon neutrality, improve our design capabilities, become fully familiar with the overall structure of each vehicle, and propose products that also take account production and manufacturing, by benchmarking thoroughly and marketing appropriately.



Seiji Teraji
Operating Officer,
Segment Chief, Interior & Exterior
Business Segment
Center Chief, Product Planning and
Development Promotion Center

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

- Provision of space planning proposals and 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 global manufacturers in China, etc.

Strategy

Become a true interior system supplier, entrusted with the planning, design, development, procurement, and production of the entire interior

- Formulate plans to win orders for components for the entire interior and start activities to achieve these plans
- Expand sales to strategic OEMs
- Strengthen MONOZUKURI competitiveness

Fiscal 2022 Action Plan

- Expand the parts and business fields
- Achieve global expansion as a system supplier
- Expand sales to strategic OEMs
- Strengthen competitiveness of core technologies
- Strengthen efforts to become carbon neutral

Unit Components Business

Toward achieving fiscal 2026 targets

Aiming to expand e-powertrain product range by utilizing core technologies from exiting business and to deepen expertise and increase sales of current products

To expand “high-in-demand” e-powertrain product range, it is necessary to grasp needs from customers and to clarify required design and production technologies. We will provide appealing products which outperform competitors by utilizing our experiences as a filter manufacturer and our technological development capabilities in high-precision stamping and plastic molding.

For existing business, we will secure overwhelming competitiveness and expand sales by further deepening our filtration expertise and production engineering capabilities.



Masami Sakakibara
Segment Chief, Unit Components
Business Segment
Center Chief, Unit Components
Center

SWOT Analysis

Strengths

- Performance and cost competitiveness of existing products
- New product development capability by utilizing our core technologies (high-precision stamping, plastic molding, and filter media production technologies)

Weaknesses

- Maximum utilization of existing production facilities
- Insufficient market recognition degree for e-powertrains and fuel cell components

Opportunities

- Increasing demands for e-powertrain components from trends in vehicle electrification
- Growing needs for filters to provide comfortable vehicle interior space

Threats

- Market expanding speed of vehicle electrification
- New supplier entries to market

Strategy

Expand e-powertrain related product range by utilizing our core technologies, deepen expertise and expand sales of existing products

- **Expand new businesses**
 - Further mass-production technology accumulation for lithium-ion battery
 - More enhancement of our core technologies for HEV and FCEV related products and application expansions
- **Deepen expertise and expand sales of existing products**
 - Ever-intensify our filtration expertise and expand applications
 - Secure overwhelming competitiveness through production engineering of plastic parts
 - Strengthen competitiveness in aftermarket

Fiscal 2022 Action Plan

- Realize vibrant work style innovation and develop human resources
- Improve further competitiveness and expand sales of existing products
- Be awarded projects of lithium-ion battery
- Build a global production system for minimum investment for existing product sales expansion
- Promote mass production of motor cores and fuel cell (FC) products

In risk management, the key thing is to manage indications of future risks and watch for risks that go unnoticed by the management team

Takeshi Ogasawara
Outside Director

The materiality approved by the Board of Directors has a dual structure: Issues Relating to Safety, Environment, and Comfort to Resolve through Our Business Operations; and Issues Relating to the People and Organizations that are Our Sources for Exercising Competitiveness. By identifying the priority issues to be addressed from among the numerous social issues, I believe we have given structure to our initiatives for sustainable growth.

Our 2025 Mid-Term Business Plan started in fiscal 2022. In order to make timely management decisions to promote the plan, we need to centrally manage global information such as cost management, finance, and human resources. With our history of mergers, it is taking time for us to consolidate our systems, but I look forward to the early realization of the current project to strengthen our foundation for management information.

Risk management is also important in order to further strengthen corporate governance. I believe that managing early signs of future risks is key to this. Future risks lay hidden in our daily operations, and it is important to analyze and address the real issues based on feedback from our members. With regard to the system for whistle-blowing, regular reports are made to the Board of Directors, and as an outside director, I intend to keep a close eye on the reported our employee voice to identify any lurking major issues that management is unaware of.



Junko Shiokawa
Outside Director

Contributing to Toyota Boshoku's global development by drawing on my experiences as an international lawyer

I am honored to be newly appointed as an outside director of Toyota Boshoku, which I believe is one of the leading Japanese companies with global operations driving the Japanese economy. In dialogue with management, I was deeply impressed by their genuine attitude toward manufacturing and their global vision, and am excited to become part of the team.

I started my career as a lawyer in Japan and have been building most of my career abroad in the UK, the US and Hong Kong. I have had no connections with the Toyota Group in the past and am highly independent. In my role as an outside director, I believe that I am expected to review the management with the fresh eyes of an outsider and express my own opinions independently.

The automotive industry is at a turning point as the global economy is shifting to decarbonization and is forced to change due to the coronavirus pandemic. I believe that my experiences as an international lawyer may contribute to the global development of Toyota Boshoku in such a challenging time.



Hoping to set ambitious goals as we work to achieve a high level of materiality

Akihiro Koyama
Outside Director

I have been involved in research on finance, corporate governance, and Japanese-style management at universities in Japan and abroad. Utilizing this experience, I would like to contribute to the future enhancement of our company's corporate value by focusing on proposals for management improvement that reflect the comprehensive evaluation of corporations that has been emphasized in recent years, especially materiality.

In fiscal 2021, we began full-scale discussions on materiality, and announced five important issues to be addressed as a priority. In fiscal 2022, we are establishing numerical targets for materiality, and I hope that ambitious targets will be set.

We held numerous meetings within the company before formulating our materiality. I believe that if we can communicate to the outside world what kind of discussions were held and what our thoughts were in formulating our materiality, we will be able to deepen understanding among our stakeholders.

To strengthen corporate governance, I have expressed a wide range of opinions at Board of Directors meetings based on the findings of my own research. Going forward, I will also make suggestions on how our company will respond to the revised Corporate Governance Code, which was published in June 2021.



Hiroyuki Ina
Outside Director

It is important to make a concrete action plan toward becoming an Interior Space Creator

With my many years of experience in the automotive electronic control equipment business, I have provided input to management by drawing on my knowledge of development, design, product quality and manufacturing.

Each of the four outside directors has a different background, which works quite effectively for board meeting discussions by reflecting an exchange of opinions from a variety of perspectives. The provision of information and sufficient explanations in advance makes the actual deliberations go smoothly, although I hope to see more interactive discussions being encouraged for those topics that could determine the future direction of the company, such as important investments.

Our desired status for 2030 is to create new value as an Interior Space Creator. In order to realize this, it is important to put into a concrete action plan how to achieve a marketing capability and the necessary human resources in a way that focuses on the end user, in what areas to strengthen our product capabilities, how to link this to efficient design, and what kind of competitive advantage to develop, including in manufacturing. I will continue to make proposals on sustainable growth for our company, while being mindful of offering different perspectives to those within the company.



List of KPIs

The Toyota Boshoku group has established ESG KPIs as indicators for measuring the social value created as we move toward realizing CSV management. This provides a structure for targets related to people and organizations from an ESG perspective.

For Environment, we have set target values for the 2025 Environmental Action Plan (see p. 32 for details); for Society, we have set items related to diversity of human resources and relationships with local communities; and for Governance, we










have set items related to compliance, etc.

In fiscal 2021, CO₂ emissions and other values for Environment and Society improved compared with the previous fiscal year.

From fiscal 2022 onward, we plan to redefine our KPIs and implement initiatives in line with the Toyota Boshoku group's materiality announced in fiscal 2021. We will continue to aim for sustainable growth through the enhancement of both social and economic value.

ESG KPIs FY2021 Results

Values in parentheses are FY2020 values
 indicates improvement over FY2020

Major KPIs	Environment		Society		Governance	
	CO ₂ emissions (total volume)	273.7 thousand t-CO ₂ /year [-5% versus FY2020] 	Rate of female managers	2.0% (1.9%) 	Compliance with timely and appropriate disclosure (Timely disclosure rate)	100% (100%)
	Renewable energy introduction rate	2% [- versus FY2020]	Employment rates of persons with disabilities	2.39% (2.21%) 		
	Logistics CO ₂ emissions (total volume)	6,590 t-CO ₂ /year [-13% versus FY2020] 	Rate of non-Japanese in P2 or higher positions	0.12% (0.11%) 	Number of confidential information leaks	0 (0)
			Vibrant workstyle KPI (work motivation) positive rate	71.5% (67.2%) 		
	Waste generation (per unit)	2.54 t/1,000 units [-5% versus FY2020] 	Number of fatal accidents	0 (0)	Number of serious legal violations	0 (0)
	Water usage (per unit)	0.22 thousand m ³ /1,000 units [-19% versus FY2020] 	Rate of participation in QC circle	90.7% (85.2%) 		
			Number of environmental abnormalities and complains	1 (1)	Supplier satisfaction	Injustice reports: 0 (0)
			Sustainable tax payment to local or national authorities	Tax paid in all relevant countries (same as above)		

Examples of initiatives in FY2021

In order to increase the vibrant workstyle KPI (work motivation) positive rate, the group worked to improve the operational quality of all work through a greeting campaign, promotion of teleworking, and TQM activities. In particular, in "Eliminate, Reduce and Change Activity," we have been able to reduce working hours by an average of five hours per person per month, by making an

inventory of work to determine whether it is necessary, and by thoroughly reviewing meetings.

In addition, regular meetings and conferences with suppliers were held remotely or via video streaming, which led to an increase in supplier satisfaction, in spite of the coronavirus pandemic.