TOYOTA BOSHOKU



TOYOTA BOSHOKU REPORT 2026

2025.4.1–2026.3.31

QUALITY OF TIME AND SPACE

Contents / Editorial policy

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What kind of value does Toyota Boshoku provide?

Keywords for understanding

#Value of the mobility interior space
#Human-centered
#DNA and identity

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Why are we able to create value?

Keywords for understanding

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#MONOZUKURI implementation capability
#Value creation through co-creation

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#ISC (approach and framework)
#Commercialization of strengths
#Top management's intentions

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#Progress & current position
#Strategy by region
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#Deepening the identity of the Toyota Boshoku group
#Insufficient capital and challenges

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Keywords for understanding

#Effectiveness of the Board of Directors
#Evolution of governance

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On publishing the Toyota Boshoku Report



Takeshi Ogiso
Chief Strategy Officer, Corporate Planning Segment

Toyota Boshoku publishes an Integrated Report to communicate the group's initiatives to enhance corporate value. For the 2026 report, we have adopted a Q&A format to communicate more clearly on topics of particular interest in the capital markets, as identified through our dialogue with stakeholders. It is structured around topics of particular interest to our investors, including our sustainable growth story as well as profitability and capital efficiency. We hope this report will deepen your understanding of our company and lead to constructive dialogue aimed at enhancing our corporate value. This report was prepared in collaboration with our various divisions under the supervision of management to ensure the appropriateness of its content.

Scope of reporting

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

Toyota Boshoku group : Japan, The Americas, China, Asia, and Europe & Africa regions
Toyota Boshoku : Toyota Boshoku Corporation
Japan region : Toyota Boshoku Corporation and Japan affiliates
Outside Japan : The Americas, China, Asia, and Europe & Africa regions
The scope for some items is stated on the respective pages.

Period covered by the report

This report contains performance data for fiscal 2026 (from April 1, 2025 to March 31, 2026).
Some information on activities outside this period is also included.

Reference guidelines

- IFRS Foundation's *IFRS Sustainability Disclosure Standards, and International Integrated Reporting Framework (International <IR> Framework)*
- Ministry of Economy, Trade and Industry's *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation*
- Cabinet Office, *Intellectual Property & Intangible Assets Governance Guidelines*
- GRI Standards
- ISO 26000
- Task Force on Climate-related Financial Disclosures (TCFD)
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Ministry of Environment, *Environmental Reporting Guidelines 2018*

Cautionary statement with respect to forward-looking statements

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

Numerical values of financial results

The numerical values of financial results have been rounded down to the displayed unit in this report.

About the cover page



Our cover page comprises the main visual from our corporate PR video, which describes the expansion of our business from textiles—our origin business—and the future potential of mobility. We are pursuing our concept of providing "QUALITY OF TIME AND SPACE" in all forms of mobility, bringing value to the automobile interior space and the time spent there.

(Reference) PR video
https://www.youtube.com/watch?v=UxlyMolys6E

How to view and use this PDF

This PDF is an interactive PDF.
By clicking the links within the text or the section titles on the right side of each page, you can access related pages in this report, as well as our website and disclosure materials. Due to space limitations, detailed information on our initiatives and various data are provided on our website. We hope that by viewing this information in conjunction with the report, you will gain a deeper understanding of our company.

XXXXXXXXXXXX : Go to the external site
XXXXXXXXX (P.00) : Go to the corresponding page
XXXXXXXXXXXX : PDF file will open

[For readers viewing in 16:9 (landscape) format]
You can access the relevant pages via the "Guide" on the right side of the screen.

[For readers viewing in A4 (portrait) format]
If you are viewing this on a browser, we recommend switching to **16:9 format**.
If you wish to print this report, please also refer to the "List of Links PDF" at the end.

Information disclosure system

The Toyota Boshoku group utilizes a variety of information disclosure media to promote constructive dialogue with our stakeholders and enhance corporate value. We view the Integrated Report as the core medium for consolidating this information and clearly communicating our value creation story and management strategy from a medium- to long-term perspective. Through each medium, we disclose detailed information and specific topics according to the objective, while also providing supplementary information.

	Financial	Non-financial
Opportunities for dialogue Through constructive dialogue with our stakeholders, we deepen mutual understanding and incorporate the insights we have gained into management, utilizing this process as an initiative to enhance corporate value.	General Meeting of Shareholders Financial Results Presentations Business Briefings **IR meetings** Through individual and group-based dialogue, we incorporate investors' perspectives and insights into management, leading to improved capital efficiency and a more enhanced value creation story.	**ESG meetings** Through dialogue focused on ESG issues, we are deepening understanding and enhancing the effectiveness of our sustainability initiatives.
Reports by purpose and target audience We provide high-quality information by identifying the appropriate role of each disclosure medium based on the needs of our various stakeholders and ensuring that the necessary information is delivered appropriately.	Annual Financial Report Integrated Report (Toyota Boshoku Report)	Corporate Governance Report Human Capital Report We have drawn up policies to ensure the success and development of diverse human resources as well as measures to improve engagement, both from quantitative and qualitative perspectives, and are visualizing the sources of competitiveness.
Comprehensive information disclosure We systematically disclose a wide range of data—both financial and non-financial—and provide this information through various media to ensure a broader and deeper understanding.	Investor Relations web page Sustainability web page	ESG data Toyota Boshoku's Special Environmental Initiatives Website We issue detailed, highly specialized information, including a specific roadmap for achieving a decarbonized society and data on reducing our environmental impact.

Various media

Online media that provide detailed information about our business activities and R&D



Team Breakthrough
A media site that conveys the Toyota Boshoku group's challenges and transformation



INNOVATION AT TOYOTA BOSHOKU
An innovation website showcasing the Toyota Boshoku group's initiatives related to R&D

Q1

What kind of value does Toyota Boshoku provide?



Section 1

Toyota Boshoku's beginnings and future

07 Vision spun from the Principles of Toyoda
08 Our origins
09 Business model
10 The identity of the Toyota Boshoku group
11 Practice of the TB Way and behavioral change

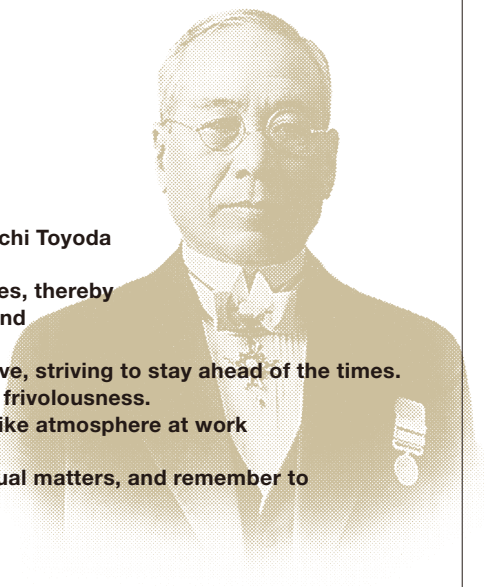
Vision spun from the Principles of Toyoda

Inheriting our founding spirit of for the world and for people

Sakichi Toyoda, the founder of the Toyota Group and also the founder of Toyoda Boshoku (the forerunner to Toyota Boshoku), driven by a desire to help others and serve his country, achieved business growth by contributing to society through invention, tapping into one's own wisdom to create something new. This can be seen as the starting point for value creation, balancing the solving of social issues with business growth. Sakichi Toyoda's research, creativity, and warm family-oriented approach, features which were ahead of their time, have been passed down to his successors and disseminated as the Principles of Toyoda. While cherishing this aspiration, which has been handed down to us for over 100 years, we have clearly set out our management beliefs, values, and behavioral principles as the TB Way. In putting this into practice, we are striving to become a company that continues to be needed by society, by working earnestly to resolve social issues.

In the automotive industry, the very value of mobility is being redefined due to advances in electrification and softwarization. Amid this changing environment, the Toyota Boshoku group has established a Vision, which sets out the company we aim to become and advocates, "looking into the future, we will create tomorrow's mobility interior space that will inspire our customers the world over."

With our sights set on the future, the Toyota Boshoku group aims to provide "QUALITY OF TIME AND SPACE" in all forms of mobility, bringing value to the interior space and the time spent there, while responding flexibly to the evolution of mobility and changes in values.



Principles of Toyoda

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

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

TB Way

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

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

Vision

Looking into the future, we will create tomorrow's mobility interior space that will inspire our customers the world over.

Our origins

From textiles to seats, and on to the entire mobility space: a solid foundation and journey of growth

Toyota Boshoku has made key decisions and transformed its business in response to changing times. Our founding spirit "for the world and for people" guides our principles of creating human-centered products and running a people-focused business. We remain committed to providing rich, high-quality mobility interior spaces for the future.

1926 Established Toyoda Automatic Loom Works, Ltd.
1937 Established Toyota Motor Co., Ltd.
1943 Absorption merger
1950 Separation and independence
Toyoda Boshoku Corporation 1918
Toyoda Boshoku Corporation 1967
Merger with Araco Corporation and Takanichi Co., Ltd.
Toyota Boshoku Corporation 2004
2015
2026
2030



Roots in Textiles

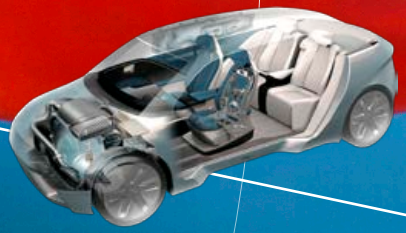


Focus shift and strengthening of the automotive components business



Expanding business fields

Strengthening of advanced development capabilities



Transforming for the future as an interior system supplier



Becoming a comprehensive Interior Space Creator that plans and proposes entire mobility interior spaces

Founding

Sakichi Toyoda established Toyoda Boshoku on his belief that independently producing high-quality yarn was essential to the development of the automatic loom industry. He grew the company into a comprehensive textile and weaving operation, handling everything from cotton spinning to woven fabric production.

Transformation

While proud of its textile origins, the company responded to the industry's decline by shifting focus to automotive components production.

Evolution

The merger with Araco and Takanichi formed a truly global system supplier with a competitive structure for supplying complete interior components, including seats and door trims.

Reinvention

Amid the automotive industry's once-in-a-century paradigm shift, the company began consolidating its seat frame mechanism components business and strengthening the integrated development and production system to reinvent itself for the future.

Applying our spirit from our origin in textile manufacturing to all aspects of materials, design, and space creation technologies to propose innovative "mobility interior space concepts" encompassing seats and all interior components.

Business model

A growth business model that strategically allocates generated cash

**Toyota Boshoku group is a global automotive parts manufacturer specializing in seats, interior and exterior products, and filters.
We provide end-to-end services —from planning to development, manufacturing, and supply—for automakers inside and outside Japan, including Toyota Motor Corporation.
We work closely with our customers to provide products tailored to their specific needs and deliver safe, environmentally friendly, and comfortable mobility interior spaces to customers worldwide.**

Global operations

23 countries and regions

90 sites

Revenue

2,037.0 billion yen

Mobility interior space
1,876.9
Seat products, interior/exterior products

By product (billion yen)

Unit components
160.0
Filter & Power Train (FPT) products, electric products

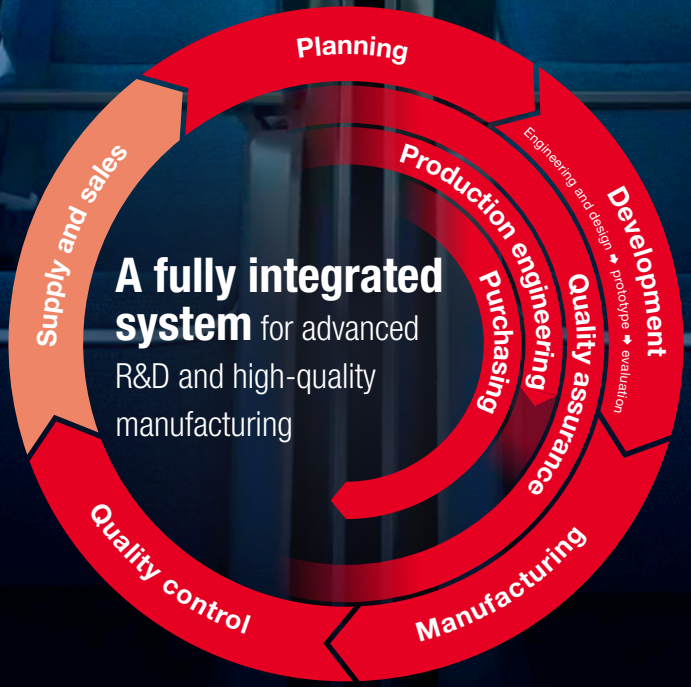
Global market share of automobile seats

No. **3**

10 % (Revenue basis)

Source: Toyota Boshoku calculation based on S&P Global Mobility data

As of March 31, 2026 (including fiscal 2026 results)



From compact to luxury automobiles. As well as sedans and minivans.

We develop solutions concurrently for a wide range of vehicle models, and propose the optimal products

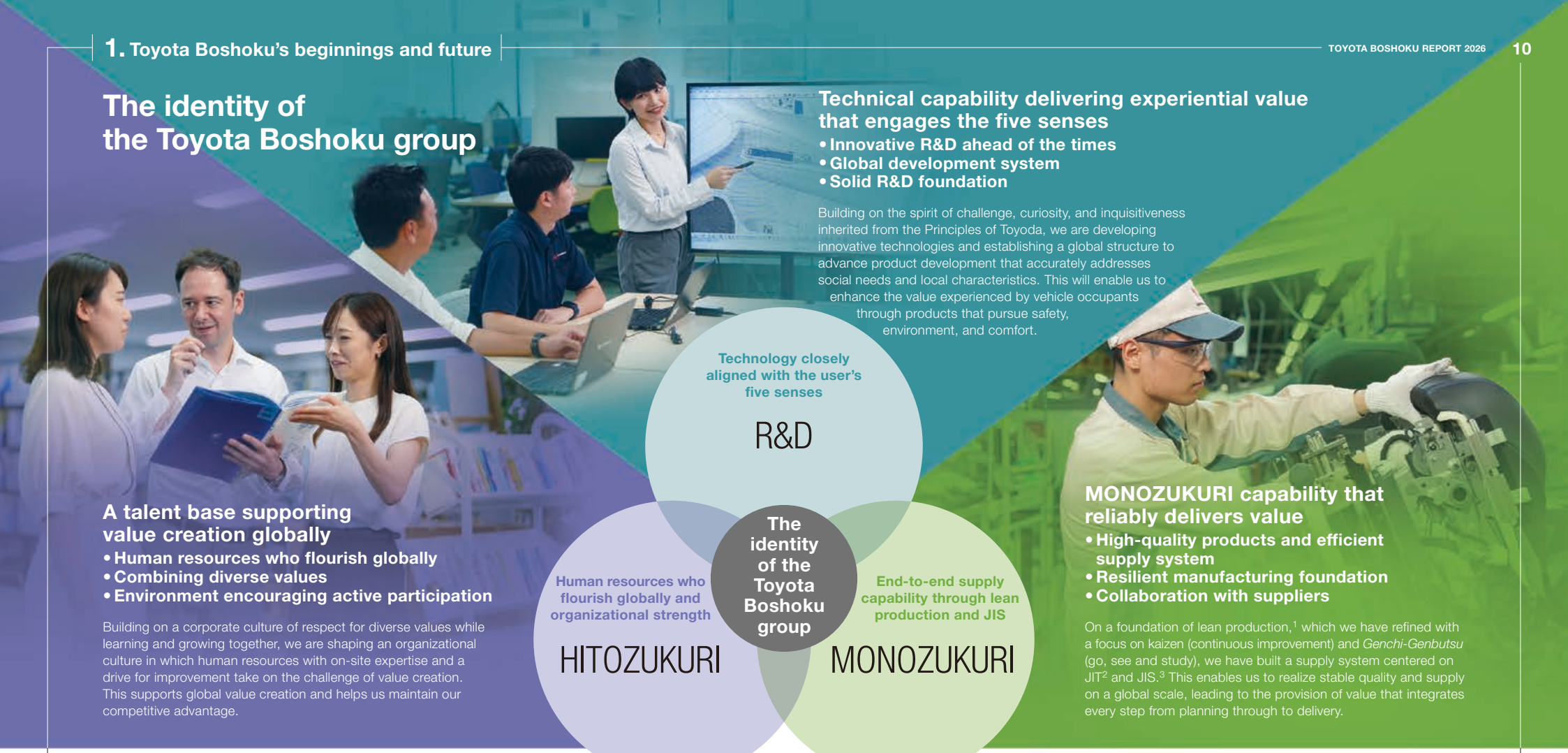
Delivering solutions for Toyota Motor Corporation and numerous automakers in Japan and around the world.

Advanced technology development and high-quality manufacturing geared to the end user

For cars and all mobility equipment.

Providing new value for all mobility interior spaces—from cars to aircraft and railroad cars

The identity of the Toyota Boshoku group



Technical capability delivering experiential value that engages the five senses

- Innovative R&D ahead of the times
- Global development system
- Solid R&D foundation

Building on the spirit of challenge, curiosity, and inquisitiveness inherited from the Principles of Toyoda, we are developing innovative technologies and establishing a global structure to advance product development that accurately addresses social needs and local characteristics. This will enable us to enhance the value experienced by vehicle occupants through products that pursue safety, environment, and comfort.

A talent base supporting value creation globally

- Human resources who flourish globally
- Combining diverse values
- Environment encouraging active participation

Building on a corporate culture of respect for diverse values while learning and growing together, we are shaping an organizational culture in which human resources with on-site expertise and a drive for improvement take on the challenge of value creation. This supports global value creation and helps us maintain our competitive advantage.

MONOZUKURI capability that reliably delivers value

- High-quality products and efficient supply system
- Resilient manufacturing foundation
- Collaboration with suppliers

On a foundation of lean production,[1] which we have refined with a focus on kaizen (continuous improvement) and *Genchi-Genbutsu* (go, see and study), we have built a supply system centered on JIT[2] and JIS.[3] This enables us to realize stable quality and supply on a global scale, leading to the provision of value that integrates every step from planning through to delivery.

Leveraging the identity of the Toyota Boshoku group to create value that leads to a competitive advantage

Competitive advantage P.32
Management resources to support competitive advantage (The identity of the Toyota Boshoku group) P.62–84

1 A production method that eliminates waste for fully optimized quality, cost, and delivery times
2 A production method that produces only what is needed, when needed, and in the required amount
3 Supply products in the proper sequence based on the customer's production schedule. When used in conjunction with Just-In-Time, it enables both the customer and our company to reduce inventory.

Practice of the TB Way and behavioral change

Creating a TB Way cycle through both practice and systems to drive behavioral change

Toyota Boshoku has adopted the Principles of Toyoda—which encapsulate the ideas of Sakichi Toyoda, the founder of the Toyota Group—as our corporate philosophy, and has established the TB Way through which we realize these values in our daily activities. The TB Way serves as a guide for the actions of each and every company member, helping them put our policies and goals for business, social, and environmental activities into practice. It has been designed so that by sharing the TB Way as a set of common values, they can make decisions and take action with a sense of global togetherness, and the practice of the TB Way has become an integral part of our daily operations. Furthermore, its practice is also connected with human resource development and appraisal, and by enhancing the quality of our business activities, leads to business growth and the creation of social value.

Becoming embedded globally

- **The TB Way is defined by eight behavioral principles and is embedded in daily operations at each site.**
- **During Global Week, an event where global leaders gather, we provide an opportunity for representatives to share practice stories and for all participants to join in a group recitation of the TB Way.**
- **The TB Way serves as the foundation upon which our philosophy is understood and shared as a set of concrete actions, and put into practice with a sense of togetherness.**

An example of embodying and embedding the TB Way



Jia Yan
President
Toyota Boshoku (Tianjin) Automotive Parts Co., Ltd.

In April 2025, I became the first female site manager of a production entity, and during Global Week that July, I led the recitation of the TB Way and shared a personal story about how I put it into practice. When facing challenges, I have always placed great importance on visiting the site to investigate the root causes, and also on taking responsibility for my role and seeing tasks through to completion. I spoke about how these experiences are the very embodiment of the TB Way principles of "*Genchi-Genbutsu* (go, see and study)" and "taking responsibility." On the day of the event, reciting the TB Way together with leaders from around the world while sharing our common values, we experienced a sense of togetherness and connection, and that experience has also led to deeper collaboration in our subsequent work.

TB Way

Employee engagement survey score
Depth of TB Way understanding*

79%

Incorporation into performance appraisals

- **We have incorporated the TB Way into our performance appraisal criteria.**
- **We have set behaviors such as "*Genchi-Genbutsu* (go, see and study)," "taking on challenges," and "respect for diversity" as appraisal criteria.**
- **Through the PDCA cycle at work, the status of behavioral practice is assessed and fed back to members, leading to their behaviors being enhanced and firmly established.**

A practical example of the TB Way taking root



Ayumi Kondo
Group Manager
Talent Management Department,
HR Strategy Division

To promote the steady practice of the TB Way and competencies (code of conduct), interviews are held between supervisors and subordinates three times a year (at the beginning, middle, and end of the year) as part of performance appraisals. At the start of the year, we give feedback on the previous year's results and challenges, and set new goals based on the TB Way. Midway through the year, we review progress and follow up. At the end of the year, we evaluate the initiatives made toward achieving goals and the extent to which skills have improved. In addition, to ensure that interviews and appraisals are conducted appropriately, we provide opportunities for new supervisors to acquire the knowledge and skills needed to conduct these interviews through training, and we are also working to foster a culture in which supervisors and subordinates continually engage in day-to-day dialogue and feedback. Through this system of appraisal and dialogue, we are promoting the practice and establishment of the TB Way.

* Positive response rate to "I understand the TB Way" in FY2026 employee engagement survey
Scope: Toyota Boshoku, affiliated companies in Japan, group companies in Asia, and Toyota Boshoku (China)

Q2

Why are we able to create value?



Section 2

Drivers of value creation

13 Value creation process
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19 Materiality
22 Value provision case study
1. Heat management technology “heat-shielding headliner”
2. A new concept in aircraft seating

Value creation process

Toward realizing our Vision—

The Toyota Boshoku group will enhance its corporate value and contribute to the realization of a sustainable society by leveraging the identity of the Toyota Boshoku group, comprising R&D, MONOZUKURI and HITOZUKURI, to provide the ultimate mobility life in pursuit of safety, the environment and comfort.

Materiality

The approach we adopt to resolve the important issues to be prioritized by the Toyota Boshoku group through our business operations

P.19

Vision

Looking into the future, we will create tomorrow's mobility interior space that will inspire our customers the world over.

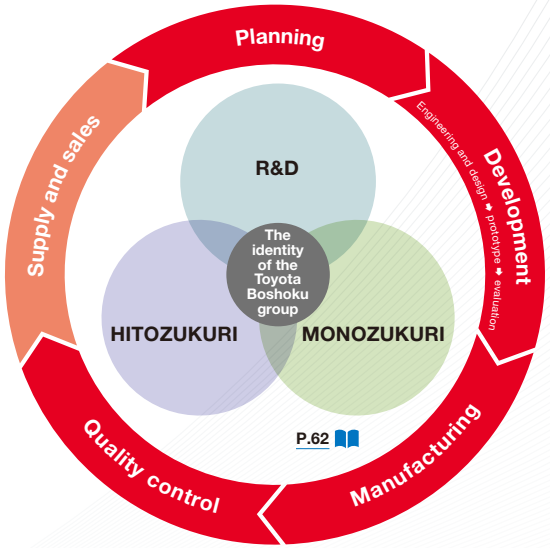
P.7

Management resources

- **Financial capital**
- **Manufacturing capital**
- **Intellectual capital**
- **Human capital**
- **Social and relationship capital**
- **Natural capital**

P.15

Business activities



P.62

Created value

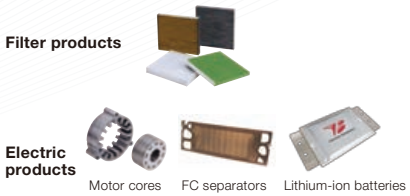
Mobility interior spaces
Aiming to be the Interior Space Creator



Automobile seats

Aircraft seats

Unit components
Contribution to multi-pathway



P.14

QUALITY OF TIME AND SPACE

To have
all stakeholders feel,
"I like Toyota Boshoku"



Principles of Toyoda

Business and products

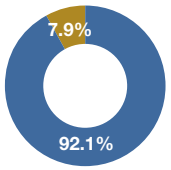
Centered on safety, the environment, and comfort, aiming for differentiation through the value of the automobile interior space, regardless of how mobility evolves

Revenue (FY2026)
2,037.0 billion yen

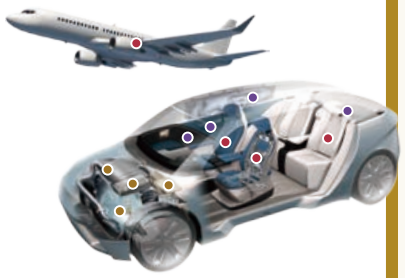
Operating profit (FY2026)
53.9 billion yen

Share of revenue

Unit components



Mobility interior spaces



Mobility interior spaces

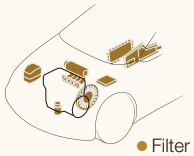


Seats
- Automobile seats
- Aircraft seats
- Non-automobile/aircraft



Interior and Exterior
- Door trim
- Headliners
- Floor carpets
- Luggage compartment
- Exterior components

Unit components



- Filter products
- Electric products
- Plastic parts for Internal Combustion Engine (ICE)
- Others

The value created by products

Seats
(frames, devices, cushions, covers)
- Occupant protection in case of collision
- Maintaining a stable seated posture



Door trim
- Ensuring structural stability through high rigidity
- Energy absorption during side-impact collision



Lightweight materials and environmentally sound components
- Contributing to improved fuel and electric efficiency
- Reduction of environmental loads



Integrated seating and interior proposals (modules)
(seats, door trim, headliner, etc.)
- Creating a comfortable, high value-added automobile interior space through sound, light, and heat
- Balancing a comfortable thermal environment with energy efficiency
- Providing a quiet, high-quality automobile interior space
- Creating added value through illumination of the space

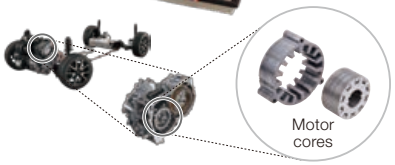


Automobile seats

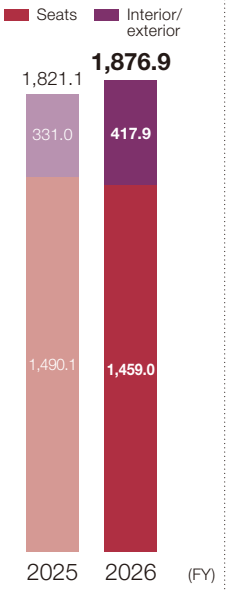
Air filters
- Improved air quality
- Providing comfort and health value through improved cabin air quality



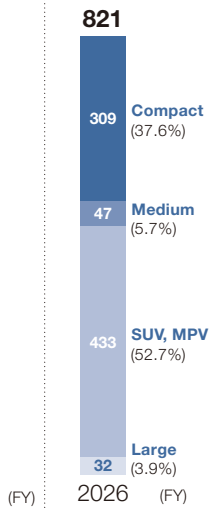
Electric products
- Contributing to improved environmental performance throughout mobility



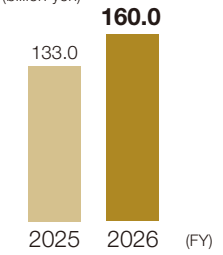
Revenue by product
(billion yen)



Automobile seat production volume and model mix
(10,000 units)



Revenue by product
(billion yen)



Management resources and strengthening them

Management resources	Reason for emphasizing	Enhancement measures (●) / Challenges (▲)
Financial capital	We will achieve sustainable growth by maximizing cash flow and executing optimal allocation, while maintaining a sound financial base.	● Secure solid returns on growth/strategic investments ● Maximize operating cash flow, including asset efficiency ● Hold constructive dialogue with shareholders and investors ▲ Increase capital efficiency and strengthen financial health in tandem
Manufacturing capital	We are pursuing high-quality manufacturing with the world as our stage. In order to produce and deliver the optimum products at the optimum time in each region, we will strengthen MONOZUKURI competitiveness by taking an integrated approach, all the way from planning, engineering and design through to manufacturing and logistics.	● Establish a competitive next-generation manufacturing system ● Realize on-site capability for continuous improvement ▲ Combine the skills of craftspeople with insourced technology ▲ Realize next-generation logistics throughout the supply chain
Intellectual capital	We have challenged the approach to R&D, driven by an insatiable curiosity and inquisitiveness ahead of the times. We will offer “QUALITY OF TIME AND SPACE” in all forms of mobility while drawing on our accumulated knowledge and expertise.	● Strengthen our planning/proposal and R&D capability for the entire mobility interior space ● Promote intellectual property strategies that contribute to technology strategies focused on Interior Space Creator, multi-pathway, and new business creation ▲ Respond rapidly to multi-pathway and carbon neutrality in anticipation of future changes ▲ Secure control and software engineers
Human capital	For the Toyota Boshoku group, as we expand our sites around the world, human resource strategy is one of the most important management issues in securing, assigning, and developing human resources for realizing a growth strategy. We will strengthen the development and utilization of human resources at the global level.	● Develop people and environments where we can continue to generate new value and ideas ● Promote the success of diverse human resources and support their growth ● Pursuit of ease of working ▲ Accelerate promotion of local talent to key posts
Social and relationship capital	The Toyota Boshoku group’s business activities are built on cooperation with a wide variety of stakeholders. We believe that by building good relationships with stakeholders, we can improve our competitiveness and create new business opportunities. In the spirit of co-existence and co-prosperity, we aim to grow together with our stakeholders.	● Co-create value through collaboration with startup companies, industry, government, and academia using Corporate Venture Capital (CVC) ▲ Secure MONOZUKURI competitiveness throughout the supply chain and realize next-generation logistics in the entire supply chain ▲ Provide feedback to management through active dialogue with stakeholders
Natural capital	Our social life and economic activities depend on the many blessings (ecosystem services) provided by nature. We are working together to address environmental issues through our business activities and contribute to the realization of a sustainable society.	● Shift to mono-materials through simplification of materials and introduction of alternative materials in product design ● Increase the ratio of renewable energy and introduce energy-saving items ▲ Visualize and reduce GHG emissions (Scope 1, 2 and 3) throughout the product life cycle ▲ Reduce water withdrawal, taking into account the water resource situation in each country and region

Management resources and strengthening them

INPUT

Management resources

Financial capital

Manufacturing capital

Intellectual capital

Human capital

Social and relationship capital

Natural capital

Capital invested

Financial capital

Equity capital (equity attributable to owners of the parent) at beginning of period	Operating cash flow	Cash and cash equivalents at beginning of period
447.4 billion yen	142.9 billion yen	249.7 billion yen

Manufacturing capital

Number of production sites	Capital investment	Inventory turnover (raw materials, work in progress, finished products)
119 sites	68.0 billion yen	7.3 days

Intellectual capital

Number of R&D bases	R&D expenses	Number of patents held
12 bases	61.3 billion yen	4,303

Human capital

Number of consolidated group members worldwide	Proportion of company members working in regions outside Japan	Overall cost of development training
45,521*	68.1%	2.03 billion yen

Social and relationship capital

Global footprint	CVC investment amount (number of investments)	Number of investors and analysts meetings
23 countries and regions	2.2 billion yen (19 investments)	170 times in FY2026

Natural capital

Total energy consumption	Water withdrawal
3,072,956 GJ	2,441 thousand m^3

As of March 31, 2026 (including fiscal 2026 results)
* Excluding temporary company members

OUTPUT

Major achievements and external evaluations

Operating profit ratio	2.6%
DOE (Dividend on equity ratio)	3.3%
Equity ratio (Ratio of equity attributable to owners of the parent)	41.0%
ROE	5.0%
Market share	Seats: No. 3 in the world / Door trims: No. 2 in the world
Ratio of new product development leading to Interior Space Creator	15%
Number of external presentations and papers	97 /year
Number of patent applications	497 /year
Ratio of men taking childcare leave	74%
Paid holiday utilization rate	97.1%
Employee engagement positive response rate	54%
Total number of participants in social contribution activities	3,240 /year
Total number of suppliers participating in supply chain MONOZUKURI improvement activities	2,830 /year
GHG emissions (Scope 1 and Scope 2)	182,738 t-CO_2e
Amount of waste	27,782 t
Renewable energy installation ratio	46%

Co-creation with stakeholders

Society | Customers | Company members | Business partners

R&D

Manufacturing

Examples of co-creation and specific initiatives | **Stakeholders involved**

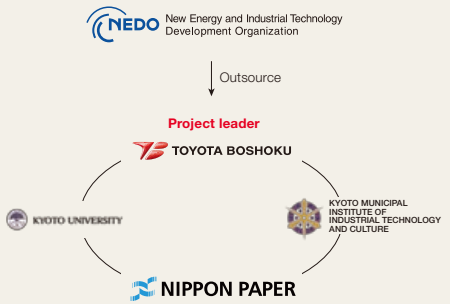
Co-creation with diverse partners, from research through to applied development, to realize next-generation mobility and carbon neutrality

In collaboration with a diverse range of partners, we are developing new materials and technologies that contribute to reducing our environmental impact and enhancing comfort.
Such co-creation is not limited to mere technological development, but also serves as the foundation for new value creation.

NEDO[1] Leading Research Program: Feasibility Study Program on Energy and New Environmental Technology: Research & Development of Low-Cost, High-Impact-Resistant Cellulose Structural Materials

Toyota Boshoku, in collaboration with Nippon Paper Industries Co., Ltd., Kyoto University, and the Kyoto Municipal Institute of Industrial Technology and Culture, has officially launched the Research & Development of Low-Cost, High-Impact-Resistant Cellulose Structural Materials as part of the NEDO Leading Research Program. This research aims to identify and nurture innovative technological seeds with a view to practical application and societal implementation from 2040 onward, with the goal of realizing a decarbonized society and fostering new industries. At the same time, through industry-academia-government collaboration, we aim to accelerate the societal implementation of CNF[2] for structural material applications—something that has been difficult to achieve until now and promote its adoption not only in the automotive sector, but also in a wide range of other fields including home appliances, construction materials, and logistics equipment.

1 A national research and development agency that fosters innovation by promoting the research and development necessary to realize a sustainable society
2 Cellulose Nanofiber: A next-generation plant-derived material created by breaking down cellulose—the structural component of plant cell walls, such as those found in wood—into nano-scale particles (one-millionth of a millimeter) through chemical and mechanical processing.



- Startup companies
- Universities and research institutions
- Automakers
- R&D divisions
- Purchasing divisions
- Suppliers
- Chemical manufacturers

Enhancing production efficiency in smart factories using AI and IoT through collaboration between the site of operations and production engineering divisions

We are promoting the use of tools, highly efficient development utilizing AI, autonomation on the production floor, and digital transformation (DX). While working to maximize the value added per hour, we will work together with our suppliers, equipment manufacturers, and other supply chain partners to enhance our competitiveness.

Autonomation of processes at Toyota Boshoku Western Kentucky

By introducing next-generation transport systems, we aim to build on the initiatives we have been pursuing since fiscal 2026 and achieve autonomation of our entire in-house logistics operations. This will lead to a significant improvement in on-site productivity and stability. Toyota Boshoku Western Kentucky expects to return to profitability in fiscal 2028, when it reaches full production capacity as a result of improvements in productivity and quality achieved through its smart factory initiative. We are also working to strengthen our relationships with stakeholders, including through initiatives such as job creation in partnership with local communities. We will work in collaboration with our administrative and technical divisions, as well as equipment manufacturers, suppliers, and logistics providers to build an advanced production system that leverages AI and IoT, thereby improving our cost competitiveness and supply stability. We will drive production innovation through the use of digital technology to enhance our competitiveness.



- Environmental organizations and certification bodies
- Production engineering divisions
- Manufacturing divisions
- DX divisions
- Quality divisions
- Suppliers
- Equipment manufacturers
- Logistics companies

Supply and installation

Use

Disposal and recycling

Examples of co-creation and specific initiatives

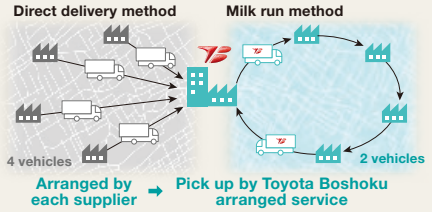
Stakeholders involved

Achieving JIT supply and reducing environmental impact through collaboration with logistics and manufacturing sites

By utilizing new logistics relay hubs and proceeding with the closure and consolidation of external warehouses and relay hubs, we aim to enhance our competitiveness through the streamlining of logistics within Japan. At the same time, we will work to promote so-called White Logistics (sustainable and fair logistics) through greater logistics efficiency, thereby contributing to achieving carbon neutrality.

Evolution of pickup logistics reform through the opening of a new logistics relay hub

To reduce CO2 emissions and address the shortage of drivers, we are reviewing our transportation methods and optimizing our company-led procurement logistics. We have completed the first phase of the milk run system we have already been working on, and through collaboration with key suppliers and logistics providers, we have established a stable supply system and enhanced our supply chain. With the opening of our new logistics relay hub (in Ikoma-cho, Toyota City, Aichi Prefecture), reform of our pickup logistics will continue to evolve. As Toyota Boshoku expands its operational scope, we will expand the use of milk run logistics while also exploring ways to improve and achieve autonomation of in-house logistics.



- Automakers
- Purchasing divisions
- DX divisions
- Production management divisions / Logistics divisions
- Suppliers
- Logistics companies

Providing products that help to create new mobility value through co-creation with businesses and local governments

We aim to provide new mobility experiences by leveraging the technology we have developed in automotive components.
As part of this process, we are collaborating with businesses and local governments to help improve accessibility and increase foot traffic in city centers.

Creating a new mobility experience with the SRT surface public transportation system

SRT (Smart Roadway Transit) is a completely new mode of transportation that runs on city streets, featuring smooth boarding/alighting and a sophisticated design, with the aim of enhancing mobility in downtown Nagoya and revitalizing the city's streets. Equipped with our MOOX-RIDE content experience support system, it projects information such as on the history and culture of the city and facilities, showcasing the city's charm through video and stereophonic sound. We will transform the time when people are on the move into an opportunity to create new value, while also helping to alleviate over-tourism and revitalize local communities.



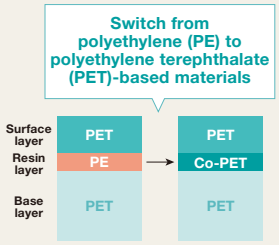
- Local governments
- End-users
- Automakers
- R&D divisions
- Quality divisions
- Transportation operators
- Digital-sector companies

Utilizing mono-material technology to achieve a closed-loop cycle*

Through our initiative to recycle waste material into regenerated fibers, we will promote the effective use of resources and establish a circular economy system. We aim to contribute to the achievement of a carbon-neutral society by simultaneously reducing waste and lowering CO_2 emissions.

Environmental contribution through a polyethylene terephthalate (PET) circular economy

With this initiative, we aim to both reduce our environmental impact and deliver value by altering our approach to the materials used in automotive interior components from a "disposable" model to a "reusable" one. Conventional fiber-based interior components were difficult to recycle due to being made from a combination of multiple materials, and when disposed of, they were incinerated, resulting in CO_2 emissions. By standardizing the materials to be PET-based, this technology realizes a system that enables reuse for the same purpose after the initial use. This, in turn, helps to reduce CO_2 emissions throughout the entire product lifecycle. As a result of this initiative, we will be able to provide automotive manufacturers with components that enable them to advance their environmental initiatives while maintaining the same level of quality and performance as before. Another key value is that these products are environmentally friendly while maintaining features such as automobile interior comfort and quietness.



- Government and local government
- NGOs and environmental organizations
- R&D divisions
- Environmental divisions
- Automobile recycling industries
- Materials recycling companies
- Industrial waste processing companies

* A recycling system in which used products are turned into resources and used to make the same products

Materiality

Materiality	The meaning and concepts of materiality	Related SDGs
Issues relating to safety, environment, and comfort to resolve through our business operations		
1 As the Interior Space Creator, we will contribute to people's quality of life, creating comfort, safety, and reassurance through innovation Comfortable spaces / Promotion of innovation	Toyota Boshoku group has consistently developed its operations "for the world and for people," expanding from textiles into automotive parts and contributing to the enhancement of safety and reassurance in people's daily lives. We are evolving into the Interior Space Creator, providing products and services such as those employing sensor-based biometric information to achieve comfort, which means enabling people to live with confidence while staying true to themselves (realization of smart cities).	
2 Using our established technical capability, we will contribute to realize a society with no traffic casualties through providing products that assure safety Product safety / Reduction of traffic accidents / Aging society	To contribute to the ambitious target of a society of "zero traffic casualties," we will continue to offer high-quality, high-safety products (integrated seats, seatbelts, airbags, and other such products) and services that optimize Toyota Boshoku's strengths in R&D that is part of Toyota Boshoku's identity.	
3 Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress Reduction of environmental loads / Productivity improvement / Climate change / Energy and resource conservation / Cooperation with business partners	Aiming for a sustainable global environment in which children can live happily with smiles on their faces, we will make effective use of business resources and achieve the Challenge 6 goals in our 2050 Environmental Vision. To accomplish this, we will work with our business partners to realize innovation and improve productivity in MONOZUKURI (and all manufacturing-related processes), utilizing the latest leading-edge technologies, while promoting initiatives focusing on the three priority areas of global warming prevention, resource circulation, and co-existence with nature.	
Issues relating to the people and organizations that are our sources for exercising competitiveness		
4 We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork Ensuring diversity / Workstyle innovation / Respect for human rights / Company-member health and work safety	To continue challenging ourselves to find solutions for the world's problems, we will develop autonomous human resources by bringing together talented individuals from around the world, who understand different ideas and ways of thinking, respect one another, and think together.	
5 We will continue to be a company of integrity trusted by all our stakeholders, inheriting our tradition of fairness and moral behavior to the next generation Governance / Compliance / Strengthened information security / Fair and equitable procurement	To continue being a company that is trusted by all stakeholders and grows together with them, we will continue to practice "ensuring that our corporate activities are fair and transparent," as enshrined in our Corporate Philosophy and the Principles of Toyoda that embody the concepts of Sakichi Toyoda, while "doing what is right" as laid down in the TB Way.	

Materiality

In July 2020, we defined as our materiality the identification of important issues to be prioritized through our business operations from among a variety of social issues and the approach we adopt to resolve them.

Approach to materiality formulation

From April 2019 to July 2020, we made a company-wide effort to identify important issues and formulated our materiality in six steps (see next page).

The important issues identified were classified into those that “maximize the positive effects,” which enrich people and their lives, and those that “minimize the negative effects,” which avoid risk. They were then organized into “issues relating to safety, environment, and comfort to resolve through our business operations,” and “issues relating to the people and organizations that are our sources for exercising competitiveness.” The materiality of the Toyota Boshoku group was determined by adding the approach we adopt to resolve each issue.

As part of a series of processes, the management team and next-generation leaders, together with the Global Management Strategy Division (now the Corporate Planning Division), the lead division, held a total of 27 consultations, after which the Board of Directors decided on the materiality.

Subsequently, in addition to the financial targets for measuring economic value set out in the 2025 Medium-Term Business Plan, in December 2021 we established ESG KPIs—one of several types of non-financial KPIs that measure social value—to realize our materiality.

Approach to the formulation of ESG KPIs

- Organization from an ESG standpoint
- In line with the Toyota Boshoku Group Sustainability Policy
- Progress toward materiality can be measured
- In line with the Corporate Governance Code
- Respond to the demands of society

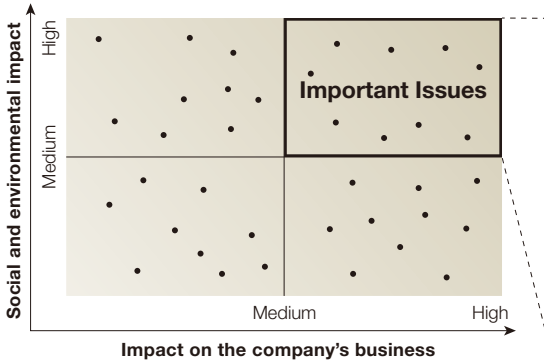
Management of materiality progress

At the CSV Promotion Meeting (Chairperson: CSO (Chief Strategy Officer) in charge of the Corporate Planning Segment), which is held twice a year, issues and the direction to take for enhancing corporate value based on our approach to CSV are reported and deliberated on, and consideration is also given to reviewing materiality itself in response to changes in the environment. Progress on the ESG KPIs, which manage progress on materiality, are also checked at the CSV Promotion Meeting, and the degree of achievement is followed up along with materiality. We also reviewed the ESG KPIs in conjunction with the formulation of the 2030 Medium-Term Business Plan.

Plotting of social issues and extraction of important issues

E Environment S Social G Governance

⊕ Matters for which positive effects are to be maximized ⊖ Matters for which negative effects are to be minimized



Issues to Resolve through Our Business Operations (E S)

Issues Relating to Sources for Exercising Competitiveness (S G)

Safety	Environment	Comfort
1. Product safety ⊕	4. Reduction of environmental loads ⊖	9. Comfortable spaces ⊕
2. Reduction of traffic accidents ⊖	5. Improve productivity ⊕	10. Promotion of innovation ⊕
3. Aging society ⊖	6. Climate change ⊖	
	7. Energy and resource conservation ⊖	
	8. Cooperation with business partners ⊕	

People	Organization
11. Ensuring diversity ⊕	15. Compliance ⊖
12. Workstyle innovation ⊕	16. Governance ⊖
13. Respect for human rights ⊕	17. Strengthened information security ⊖
14. Company-member health and work safety ⊖	18. Fair and equitable procurement ⊕

Toyota Boshoku Group’s Materiality

Materiality formulation process

		Participants		
		Company Members	External Stakeholders	Directors/ Officers
STEP 0	**Comprehensive activities for CSR, CSV, ESG, SDGs, etc.** ● **Lecture for officers and division general managers** In addition to the regular members of the CSR Promotion Meeting (now the CSV Promotion Meeting), officers and relevant division general managers involved in the formulation of the 2025 Medium-Term Business Plan attended the meeting to deepen their understanding of CSV management. ● **Lecture on SDGs for officers, entity top management, and next-generation leaders** Held as part of the "Global Week" program, where officers, entity top management and next-generation leaders of the Toyota Boshoku group gathered to discuss the future of the group and how to realize it, deepening understanding of the SDGs. ● **SDGs card game and discussions on social issues (41 next-generation leaders from 13 countries participated)** A card game format was used to deepen understanding of the SDGs and social issues. Subsequently, discussions were held on social issues surrounding the Toyota Boshoku group as well as management issues, based on important concepts for the company included in our philosophy.	✓		✓
STEP 1	**Understanding social issues** ● **Clarification of SDGs and other social issues** As well as the SDGs, identifying more than 100 social issues by focusing also on social issues in the countries and regions in which the Toyota Boshoku group operates. ● **Verification of social issues where we are already making contributions** Creating a life cycle value chain map of the Toyota Boshoku group's business, and organizing contributions to resolving social issues that have already been implemented from both positive (opportunities) and negative (risks) perspectives.	✓		
STEP 2	**Extraction of social issues** ● **Verification of social issues to be tackled as the company's philosophy** Re-affirming and understanding the meaning embedded in our philosophy, and confirming whether resolution of the social issues identified is consistent with the philosophy. ● **Verification of social issues that can be resolved by maximizing the company's strengths** Confirming whether the issues can be solved by leveraging the identity of the Toyota Boshoku group: R&D, MONOZUKURI, and HITOZUKURI. ● **Discussions by the Materiality working group**: 10 sessions (17 participants)	✓		

		Participants		
		Company Members	External Stakeholders	Directors/ Officers
STEP 3	**Verification of stakeholder expectations** ● **Investor interviews**: 3 times (7 participants from 3 companies) ● **Survey of company members**: 1 time (covering 260 people) ● **Verification of management issues**: Based on the results of the above interviews and questionnaires, confirm consistency with internal policy.	✓	✓	✓
STEP 4	**Plotting of social issues and extraction of important issues** ● **Organization of social issues and identification of important issues to prioritize** Verification from the perspectives of "social and environmental impact" and "impact on the company's business," and identification of important issues to prioritize. ● **Formulation of five aspects of materiality in alignment with the company's Vision** Identifying five materiality issues, organized into two categories: "issues relating to safety, environment, and comfort to resolve through our business operations" and "issues relating to the people and organizations that are our sources for exercising competitiveness."	✓		
STEP 5	**Verification of validity** ● **Discussion in a CSV Promotion Meeting** In February 2020, an extraordinary CSR Promotion Meeting (now the CSV Promotion Meeting) was held to discuss the composition and wording of (expressions used in) our materiality. In order to deepen company members' understanding of our materiality, it was decided to compile the reasons for selecting this text as "Meaning and Concepts." ● **Discussions with outside directors and outside Audit & Supervisory Board members** Two briefings were held for outside officers (in April and July 2020). Based on the points raised, the positioning of materiality in management was clarified, and the management system was organized as "Management Concept."	✓		✓
STEP 6	**Decision on materiality** ● Toyota Boshoku Group's Materiality was finalized at the Board of Directors meeting in July 2020.			✓
STEP 7	**Establishment of ESG KPIs** ● We established ESG KPIs to measure social value. The goal is to achieve them with a view to realizing our materiality.	✓		✓

Value provision case study 1: Heat management technology “heat-shielding headliner”

Materiality

1 As the Interior Space Creator, we will contribute to people’s quality of life, creating comfort, safety, and reassurance through innovation

Comfortable spaces | Promotion of innovation

Materiality

3 Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress

Reduction of environmental loads | Productivity improvement | Climate change | Energy and resource conservation | Cooperation with business partners

Reducing the effects of heat from sunlight

Suppressing a rise in headliner temperature, preventing heat from entering the vehicle

The headliner, which reflects far-infrared rays, helps reduce the air conditioner load

What kind of initiative?

We are promoting R&D in the fields of “sound, light, and heat” to enhance comfort in the automobile interior space. Among these, the heat-shielding headliner is a product designed specifically to address “heat.” By limiting the amount of heat that enters the vehicle interior, it helps to achieve a balance between comfort and environmental performance. Far-infrared radiation is emitted from the roof panel when it is exposed to sunlight. By reflecting this radiation with the reflective layer on the underside of the roof panel, a rise in headliner temperature is suppressed and heat is prevented from entering the cabin. This contributes to a lower environmental impact by helping to reduce air conditioner load and improve fuel efficiency. We are committed to refining our technologies in the fields of “sound, light, and heat” to create comfortable and appealing automobile interior spaces.

Key points of value provision

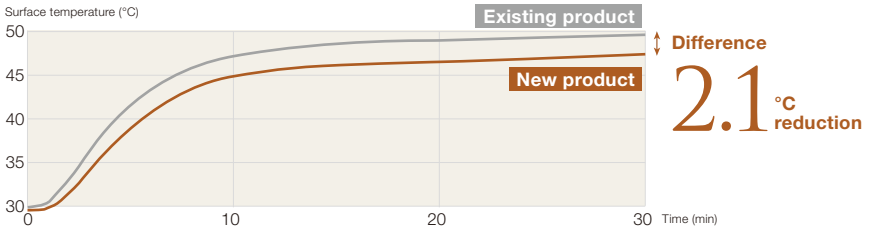
Reducing air conditioner load

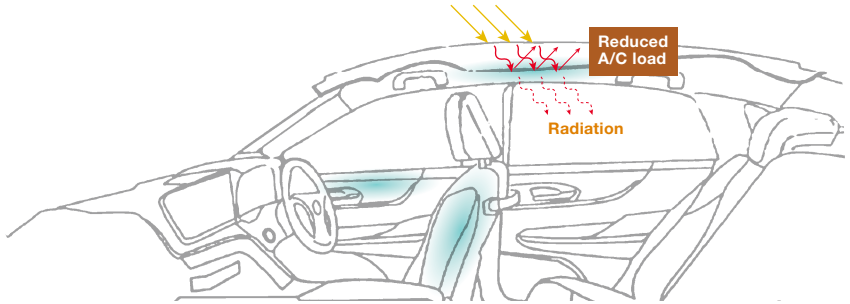
Since heat infiltration through the roof of the cabin is significantly suppressed, a rise in interior temperature is mitigated in conditions such as under blazing sun. As a result, air conditioning use is reduced, contributing to reduced battery consumption and improved fuel efficiency.

Expanded adoption across multiple vehicle models and future developments

This technology is being adopted in a growing number of models, including the Toyota Mirai, Crown, bZ4X Touring, and Subaru Trailseeker. We will continue to expand the range of compatible models while deepening our R&D in the heat field, with the goal of realizing human-centered heat management systems.

Assumed headliner surface temperature when parking under blazing sun





Value provision case study 2: A new concept in aircraft seating

Materiality

1 As the Interior Space Creator, we will contribute to people's quality of life, creating comfort, safety, and reassurance through innovation

Comfortable spaces | Promotion of innovation

A flight-ready wheelchair:

The WELL-VOYAGE SEAT, breaking down the barriers to mobility

Co-developed with JAXA: Seamless wheelchair seating and full cabin mobility—aiming for an enjoyable flight for everyone

What kind of initiative?

Wheelchair users face many challenges when boarding an aircraft and moving around the cabin. The WELL-VOYAGE SEAT being jointly developed by Toyota Boshoku and the Japan Aerospace Exploration Agency (JAXA) is a product based on a completely new concept that structurally resolves this issue. By fixing the wheelchair directly in place as a seat, the need to transfer from wheelchair to seat is eliminated, thereby integrating the process from boarding to seating. What's more, the seat can be removed from its frame during the flight, enabling the user to move freely around the cabin, including easier access to lavatories. By applying the technologies we have developed through automotive seat design to the aviation sector, we achieve a balance between safety and comfort. Going forward, with a focus on automotive seats and interior & exterior products, we will continue working toward the realization of universal design that enables everyone to enjoy traveling with peace of mind across a wide range of mobility.

Key points of value provision

Relief from the physical and emotional burden

By eliminating the need for complex movements, this system reduces the physical and emotional burden on wheelchair users while also helping to ease the burden on caregivers.

Enabling free seat selection and movement within the cabin

The seat slides out sideways for easy removal, making it also suited to restricted spaces. In addition to being able to choose a window seat, users can now board/disembark the aircraft and also access on-board lavatories without the need to transfer from their wheelchair, greatly increasing freedom within the cabin.

The same high-quality seat comfort for everyone

Without making any compromises for wheelchair use, we have realized superior cushioning and hygiene so that everyone—people with and without disabilities—can enjoy the same level of comfort. Pursuing true universal design

Step 1 **Move wheelchair directly into seat position**





Frame for securing the seat

Step 2 **Insert into frame and slide sideways**





Assist grip

Step 3 **Secure seat using locking lever on aisle side**





Locking lever



Q3

What are our strengths, and how do we give shape to them? What is top management committed to?

Section 3

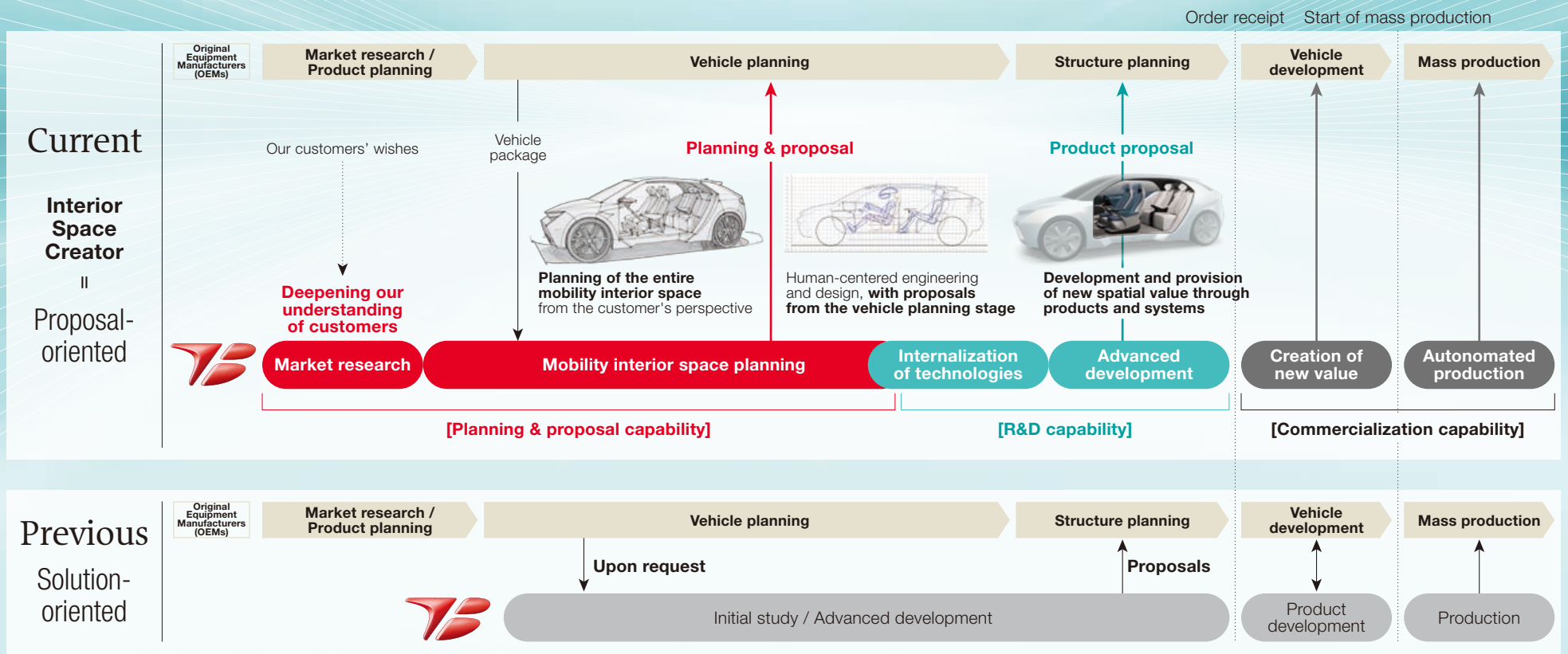
Realization of Interior Space Creator

25 What is the Interior Space Creator (ISC)?
26 Message from the President
32 Competitive advantage
33 Accumulated management resources
34 Awareness of the market environment
36 Business portfolio and customer portfolio strategies
37 Balancing profitability and capital efficiency within our business model

What is the Interior Space Creator (ISC)?

A company delivering new spatial value that exceeds customer expectations by possessing both planning and proposal capabilities for the entire mobility interior space and the R&D capabilities to realize them, planning and proposing seats and interiors as integrated systems from the vehicle planning stage.

To provide our customers with new spatial value, we are shifting our process from the previous solution-oriented approach to a proposal-oriented one.
We will build a system that allows us to identify customer needs at the market research and product planning stages, and deliver the necessary products finished to a very high standard.



Message from the President

Maximizing the value of experience in the mobility interior space



Masayoshi Shirayanagi
President
Chief Executive Officer

Q. What is the Interior Space Creator (ISC), which you have set out as your 2030 Target?

A mobility space platform provider that maximizes the experiential value of automobiles.

When we first introduced the ISC concept, it was initially an aspiration that served as a kind of rallying point. However, over the past year, I've come to realize that the value of the mobility interior space has increased more than ever before. As I experienced firsthand the growing anticipation at auto shows in China and Japan, my conviction became even more unshakable that, as the ISC, we could establish a solid position.

The reason I'm so focused on the ISC concept stems from my own personal experience. During the COVID-19 pandemic, I used to commute four hours by car from Tokyo to my home almost every week. Alone in the car, I developed work ideas, thought about my family, and immersed myself in the world of movies while taking breaks in the service area parking lot. In those moments, I realized once again that a car is not just a means of transportation, but something that brings about thoughts and emotions that can only be encountered or felt while you are in that space.

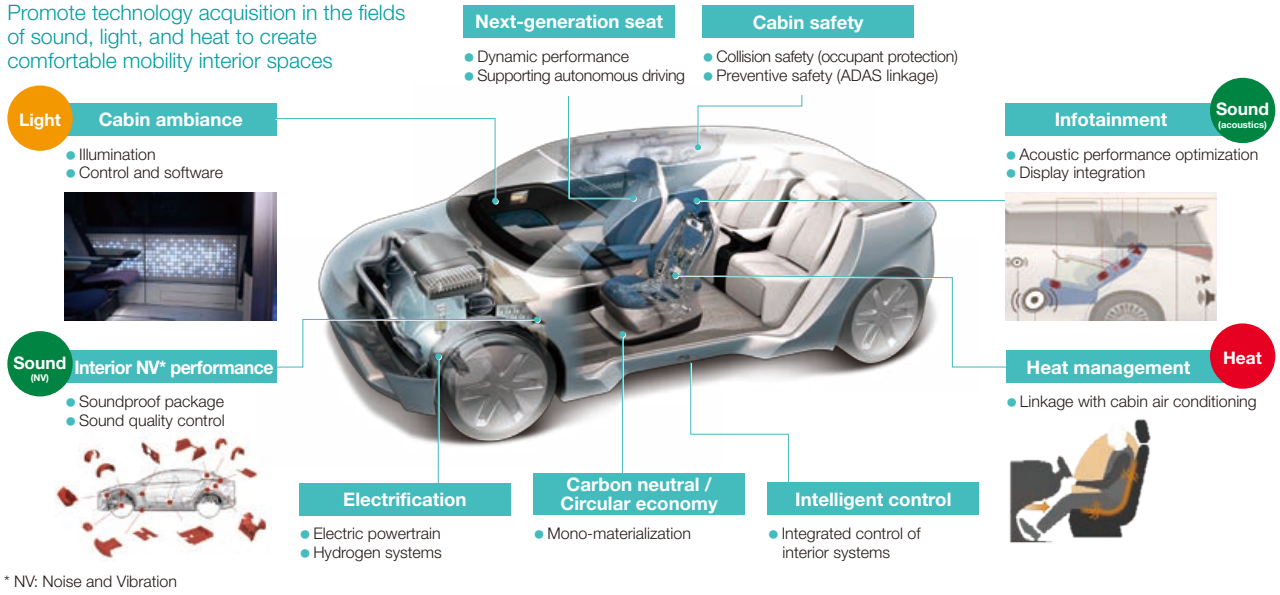
In a future where autonomous driving is widespread, cars could become a "third place"—neither home nor workplace—that offers us meaningful time. The moment you sit down in your seat, you forget that it's simply a means of transportation and find yourself spending truly fulfilling time—we want to share that experience with as many people as possible. That is the source of my sense of mission to realize our vision of the ISC during my tenure.

As original equipment manufacturers (OEMs) shift course toward Software-Defined Vehicles (SDVs), whose functions and performance are defined by software, the mobility interior spaces we create serve as the most critical touchpoints for delivering to passengers the user experience (UX) they envision. Rather than competing on the excellence of component specifications, we will focus on elevating the quality of the mobility interior space to the highest possible level.

Our goal is to maximize the experiential value of the mobility interior space. Directly linking product development and manufacturing to that single goal, and becoming a platform provider that delivers mobility interior spaces of ever higher value—that is Toyota Boshoku's future path to success. I believe that becoming the ISC is not merely about strategic positioning, but is rather the vision that our times demand.

Specific actions required to realize ISC

Promote technology acquisition in the fields of sound, light, and heat to create comfortable mobility interior spaces



* NV: Noise and Vibration

Maximizing the experiential value of the mobility interior space, as the ISC, is Toyota Boshoku's future path to success.

Q. Some have questioned whether this will lead to profitability.

We are entering an era in which the world values quality of time over quantity of travel.

While I feel confident that we are making solid progress toward becoming the ISC, I also understand that the question of when and how much profit we generate is of the utmost importance.

Value perceived through the senses, such as comfort and a sense of well-being is often considered difficult to quantify. However, people around the world are already paying for the quality of their time, as demonstrated by the price differential between business class and economy class on aircraft. As autonomous driving becomes more widespread, I see similar value emerging in the automotive sector as well. I believe that value which enhances the quality of time spent in a

car—such as seats that relieve fatigue, lighting and sound systems that set the right mood, and spatial designs that foster conversation among family members—will ultimately translate into profit.

We possess four competitive advantages (P.32) that will enable us to realize this latent value.

First, an unparalleled connection with the vehicle occupants. From the seats to the door trim, carpeting, and headliner, we occupy a position at the forefront of designing the experiential value of everything the occupants see and touch within the mobility interior space.

Second, our sensibility-based expertise refined over 100 years. Our design techniques rooted in the human senses, such as the texture of materials and seating comfort, are the culmination of ergonomics and accumulated craftsmanship.

Third, our integrated spatial capabilities from planning through to the supply of seats, interior and exterior products, electric components, and filters. As an interior system supplier, we have a proven track record of providing complete sets of products to OEMs for over 25 years. The integrated capabilities we have cultivated here have become a source of strength for optimizing the entire space, clearly differentiating us from our rivals.

And fourth, global execution and human resource capabilities. We have built a system that ensures a stable supply of Toyota-quality products from more than 90 sites worldwide. The people around the world who make this possible are our greatest asset.

To turn this competitive advantage into profit, we will work to raise awareness of our position as designers of experiential value. The SRT (Smart Roadway Transit, P.18) system, which has begun operations in Nagoya, is one such step toward that goal. Such initiatives broadly raise awareness of the value of the spaces created by Toyota Boshoku, and so they are also of great significance for our branding. We have also appointed an outside director with expertise in corporate branding to further refine our strategy.

The benefits for stakeholders extend beyond financial returns. We will provide OEMs with comprehensive solutions for the in-vehicle user experience; end users with mobility interior spaces that serve as a “third place”; our company members with the pride that comes from creating innovations that are changing society; and our shareholders and investors with sustainable earnings growth driven by our transition to high-value-added models.

The answer to the question “When? How much?” lies at the end of this step-by-step process. As a corporate leader entrusted with capital, I will carefully explain how we use it and the results we achieve. At the same time, being keenly aware of my responsibility to incorporate the feedback we receive into future management decisions, I will continue to report with transparency on the progress of our roadmap.

Q. What are your current challenges in realizing the ISC?

Broadly, there are two: software R&D capabilities and a culture of making proposals.

What we are aiming for, as the ISC, is a world in which travel time is more than just getting from one place to another. To make this a reality, there are two areas where we need to grow.

First, our software R&D capabilities. With the shift toward SDVs, OEMs have begun to focus on designing experiential value through software, and major IT companies are also entering the automotive industry. As the business environment changes, simply supplying hardware is not enough to maintain a competitive advantage. Rather than insisting on in-house development, we will achieve a high level of integration between digital and analog through fast-paced partnerships. In April 2026, we signed a joint venture agreement with Huaqin Technology Co., Ltd., a company with agile and advanced system development capabilities. Furthermore, in June 2026 we launched Toyota Boshoku Huaqin (Shanghai) Automotive Electronics Co., Ltd., and are currently proceeding with development.

Second, a culture of making proposals. Our strength lies in our ability to accurately mass-produce products in strict accordance with the specifications provided by OEMs. At the same time, to become the ISC, it is essential that we build on this strength, anticipate the expectations of OEMs and

Clear differentiation through four advantages





Left: At the VA (Value Analysis) exhibition, listening to company members' improvement proposals aimed at reducing costs while maintaining quality and functionality
Right: Visit to the Shenyang Toyota Boshoku Automotive Parts plant (China)

proactively make proposals for mobility interior spaces. By identifying the needs of each region and repeatedly going through the cycle of planning, proposing, and implementing solutions in numerous concrete projects, we will further embed a proactive approach to proposal-making within our organization.

Q. How do you assess the current situation in light of your financial goals?

The gap is 74 billion yen. We are adopting a proactive stance with VT2X.

We currently project fiscal 2027 operating profit of 76 billion yen compared to our fiscal 2031 target of 150 billion yen. We are aware of this gap of approximately 74 billion yen, and will continue to improve our profit structure to address it. To bridge the gap, we will focus on "minimizing the denominator" (maximizing capital and cost efficiency) while "maximizing the numerator" (increasing added value and sales).

A key initiative for implementing these two approaches is Value Time 2X (VT2X). While our previous initiative of cutting processing costs by half through a fusion of the skills of craftspeople and innovative technology was defensive, VT2X is a proactive approach based on the concept of doubling the value added per unit of time invested, thereby simultaneously raising both our cost competitiveness and our value enhancement capability.

To minimize the denominator, we are advancing DX by reducing the number of parts, improving net yield through rigorous implementation of Toyota Production System (TPS), and streamlining operations through autonomation and AI, among other measures. Revitalizing our operations in Japan and North America, where we particularly see profit challenges, is our top priority. In April 2025, to improve profitability with a focus on the Americas region, we launched a Global Craftsmen Team as an organization reporting directly to me. In addition, starting in April 2026, we introduced regional CxOs to clarify responsibilities. Based on the belief that on-site capabilities directly translate into profitability, we are working to implement improvements through *Genchi-Genbutsu* (go, see and study). We are already seeing results not only in terms of increased profit, but also in terms of passing on technical expertise. To optimize fixed costs, we have tightened our investment discipline and significantly improved the accuracy of our Return on Investment (ROI) assessments at the planning stage. We continuously monitor actual returns after the investment and have established systems for visualizing profit accountability. In addition, we are working to improve efficiency at the operational level through measures such as the use of AI agents.

In terms of maximizing the numerator, we will enhance our product portfolio by launching new products based on our product roadmap, while also promoting system integration across the entire mobility space and the incorporation of software-based intelligent systems. As well as developing high value-added products, we will implement monetization models such as MOOX-RIDE, which go beyond one-time hardware sales.

Furthermore, to ensure profitability, it is essential to build in profit ratio during the development phase. We will strengthen cost planning to ensure that we achieve our target marginal profit ratio at the time of order acceptance, and we will rigorously implement project launches in line with target costs from the planning stage.

In fiscal 2027, we will further deepen initiatives related to our capabilities in planning and proposals, R&D, manufacturing, and sales expansion, as well as the management foundation that supports these. We will use KPIs to visualize the progress and results of each initiative and tackle the challenge of reaching our ambitious operating profit target of 150 billion yen with unwavering determination.



VT2X

Realize VT2X to become the ISC, and gain MONOZUKURI competitiveness that surpasses our competitors

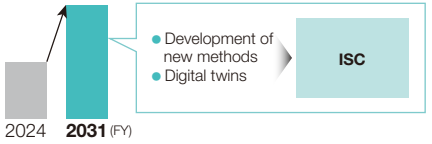
Maximize added value per hour



On-site improvement and loss reduction



Revenue and profit growth



Proactive stance with VT2X

Aiming for 150 billion yen

Q. What are the strengths and business portfolio that will enable you to achieve your goals?

Toyota quality × On-site capabilities. Rebuilding a growth portfolio to maximize those strengths.

If we compare ourselves to our global competitors, our greatest strength is our customer base centered on Toyota Motor Corporation. I am sometimes asked about the risks of dependence on Toyota, but I do not use the phrase “breaking away from dependence on Toyota.” This is because our corporate culture founded on “for the world and for people” (one of the Principles of Toyoda) and a common language have permeated every corner of the organization. This common language includes TPS, TQM (which aims to improve quality and achieve customer satisfaction across the entire company), and Kaizen (continuous improvement). Such an environment serves as the ultimate training ground for continuously honing our technology to the world’s highest standards, and is a source of great pride for us.

Furthermore, under Toyota Motor’s multi-pathway strategy, our ability to support a wide range of powertrains, including BEVs, HEVs, FCEVs, and PHEVs, is another key strength. The on-site capability and adaptability we have honed while consistently meeting the world’s most demanding standards cannot be easily replicated.

To achieve our operating profit target, it is essential that we build on these strengths to restructure our customer and product portfolios; in other words, to pursue a strategy of selection and concentration. The two criteria for decision-making are: “Does it create meaning and joy for our stakeholders?” and “Can it ensure sustainable profitability and capital efficiency?” If we cannot arrive at a clear solution based on these two criteria, we will decide either not to invest resources or to withdraw.

As a concrete step forward, to capitalize on the enormous sales growth opportunities in India, we established a new India Strategy Department in January 2025 and are pushing forward with product launches optimized for the characteristics of the northern, western, and southern regions. Furthermore, our business fields are also expanding to encompass the entire mobility interior space beyond automobiles. In the field of aircraft seats, our expertise in designing spaces where passengers sit for extended periods, combined with our unwavering commitment to meeting delivery deadlines and maintaining quality, has earned us high regard from the aviation industry, which demands the highest levels of safety. Going forward, we will be looking to expand into the business-class segment in addition to the economy-class segment.

Our goal is not simply to become a company that sells to customers other than Toyota. We are a platform provider that combines the quality and efficiency honed at Toyota with the ability to create spaces through the fusion of different industries and cultures. Our dialogue with customers is also shifting from one based on the preconception that we are simply a Toyota supplier to one based on the expectation that Toyota Boshoku can be entrusted with the mobility interior space. We aim to create spaces that people say they want to travel in precisely because they were designed by Toyota Boshoku.



Going beyond automobiles,
becoming a one-of-a-kind company
chosen because
we are Toyota Boshoku

Q. How are you responding to geopolitical risk?

We will establish a system that enables us to maintain a competitive advantage in any region.

The essence of geopolitical risk is that it is unpredictable. To respond to changes in tariff trends and the balance of power, we will work to establish a highly resilient production system that is not dependent on specific regions or procurement routes.

At the heart of this is the further advancement of local production for local consumption. We manufacture our products very close to our customers’ plants and deliver them immediately. By further refining our JIT and JIS systems, which enable us to handle everything from product planning to supply in an integrated manner, we will minimize the risks associated with fluctuations in tariffs and logistics costs, as well as supply disruptions. Examples include Toyota Boshoku Western Kentucky in North America and the Xiaohudao Guangzhou Smart Factory in China, both of which are pioneers in this area.

At the same time, we will work toward the global rollout of VT2X. Leveraging the culture of continuous improvement and execution capabilities we have developed across our locations worldwide, we will enhance added value not through mere automation, but also through “autonomation” fusing human intelligence with machinery. This will enable us to build a production infrastructure that is less susceptible to rising labor costs and allows us to maintain competitiveness in any region.

While geopolitical risks pose a threat, they can also present new opportunities. Even as supply chains continue to undergo restructuring, I believe that the trust we have built up in local areas is the reason why we continue to be chosen.

Message from the President

Making “I like Toyota Boshoku” the sentiment of all our stakeholders



Q. What role should you fulfill as president?

Developing human resources who can surpass us, and being uncompromising on quality.

Ever since I became president, I have consistently emphasized to our company members the importance of looking outward and adopting the mindset of “Turn your heads toward the external world and take a *Genchi-Genbutsu* (go, see and study) approach before going astray.” They channel external realities—such as questions from investors, dialogues with leaders from other industries, and the fast pace of the Chinese market—back into the company, while also gathering insights from the front lines. I will continue communicating so that every single company member recognizes the distance between our destination of becoming the ISC and where we stand today as their own issue, and takes the initiative to act. I believe this back-and-forth process will change the organization’s mindset and way of operating, thereby rewriting Toyota Boshoku’s “operating system.”

It is also my responsibility as a member of management to develop leaders who are better than myself. With our sights set on becoming the ISC, I am looking for people with the creative thinking skills to design customer experiences, an open mindset that fosters co-creation across different industries and cultures, and the courage to make decisions and take responsibility in environments where there are no clear-cut answers. We will nurture individuals with these qualities through hands-on experience.

One example of this is to expose members to unfamiliar environments, for example where they have to restructure operations, develop new customers or manage cross-cultural teams in regions facing challenging business conditions, to enable them to gain experience of decision-making amid competing priorities. At the same time, by making my own decision-making criteria and processes visible and engaging in ongoing dialogue with the next generation of executive candidates, I am also enhancing the transparency of the succession planning process. The Management Advisory Council, in which outside directors make up at least half of the members, is also deepening discussions on human resource development and the selection of successors. We will enhance the effectiveness of our succession planning by incorporating external perspectives.

Another responsibility I must shoulder as president is addressing quality issues. The Product Evaluation Segment, established in April 2025, has put in place a system that allows it to say “no” from a position independent of development. We are committed to identifying the root causes of individual issues and ensuring that measures to prevent recurrence are fully integrated into our systems. However, in March 2026, a recall related to the seat reclining mechanism was issued for certain vehicle models. I am keenly aware that our many years of experience and overconfidence in our high-quality manufacturing practices may have, to some extent, dulled the organization’s responsiveness. This is an issue of culture, rather than systems.

That is precisely why we will work to foster a culture where the more difficult the news, the faster it is shared with the right people—accurately and without delay. Safety and quality take precedence over everything else; production and profits are built upon that foundation. Only when these two elements—systems and corporate culture—work in tandem can our confidence in quality be genuine. It is my responsibility as the company’s most senior executive to constantly maintain a sense of the gravity of bringing products onto the market that are entrusted with our customers’ lives.

Ever since I took office in 2022, I have repeatedly stated that my goal is to make Toyota Boshoku a company about which people say, “I like Toyota Boshoku.” If someone asked me right now, “Do you like Toyota Boshoku?” I would answer, “I love it with all my heart.” However, the nature of that fondness has changed significantly since I took office. At the time, what drew me to this company was the potential it held. Technology honed over more than 100 years, a global network of locations, and people who work with unwavering dedication: the desire to unlock that potential was what drove me on.

At first, my questions were often met with silence, but now I receive candid feedback from the frontlines. Company members are gradually but surely beginning to respond to my wish to create a workplace where people can speak their minds. Now, I can truly feel the positive momentum as each and every company member at each workplace and site is taking the initiative to chart their own “Roadmap to 2030” and is working tirelessly with a strong determination to make tomorrow better than today.

“I like Toyota Boshoku” —

It is my hope that these words flow naturally from our company members, customers, and all stakeholders. An organization that has begun to operate autonomously will undoubtedly become stronger and more adaptable. As someone who believes in Toyota Boshoku’s potential more than anyone else—and as its number one fan—I am committed to working alongside our company members to ensure that the future we are building together becomes a reality.

Masayoshi Shirayanagi
President
Chief Executive Officer

Competitive advantage

Our core focus is on creating human-centered spaces based around the five senses. Our group's competitive advantage lies in our ability to combine our accumulated knowledge in relation to human sensibilities and comfort with our ability to bring concepts to life through an integrated process from development right through to production, thereby delivering value tailored to the needs of different regions worldwide.

1

An unparalleled connection with vehicle occupants through the five senses

We are positioned at the forefront of designing experiential value, encompassing every point of contact with occupants as they engage with the automobile interior space through the five senses.



2

Sensibility-based expertise refined over 100 years

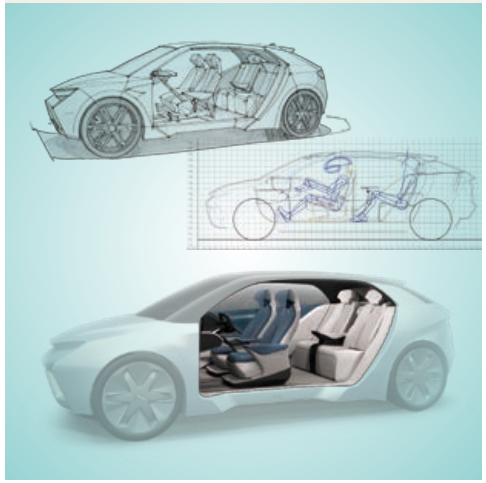
It is the culmination of value creation that fuses ergonomics and the skills of craftspeople, integrating "soft" elements such as upholstery and padding with "hard" technologies including frames and devices in order to deliver dynamic ride comfort that continuously adapts even while on the move.



3

Integrated capabilities from planning through to supply

Because we handle all the elements that make up the space in house, we can incorporate the industrial design, comfort, control, lightweighting, and cost aspects simultaneously from the engineering stage onward, enabling us to propose optimal solutions from the perspective of the finished vehicle in an end-to-end process.



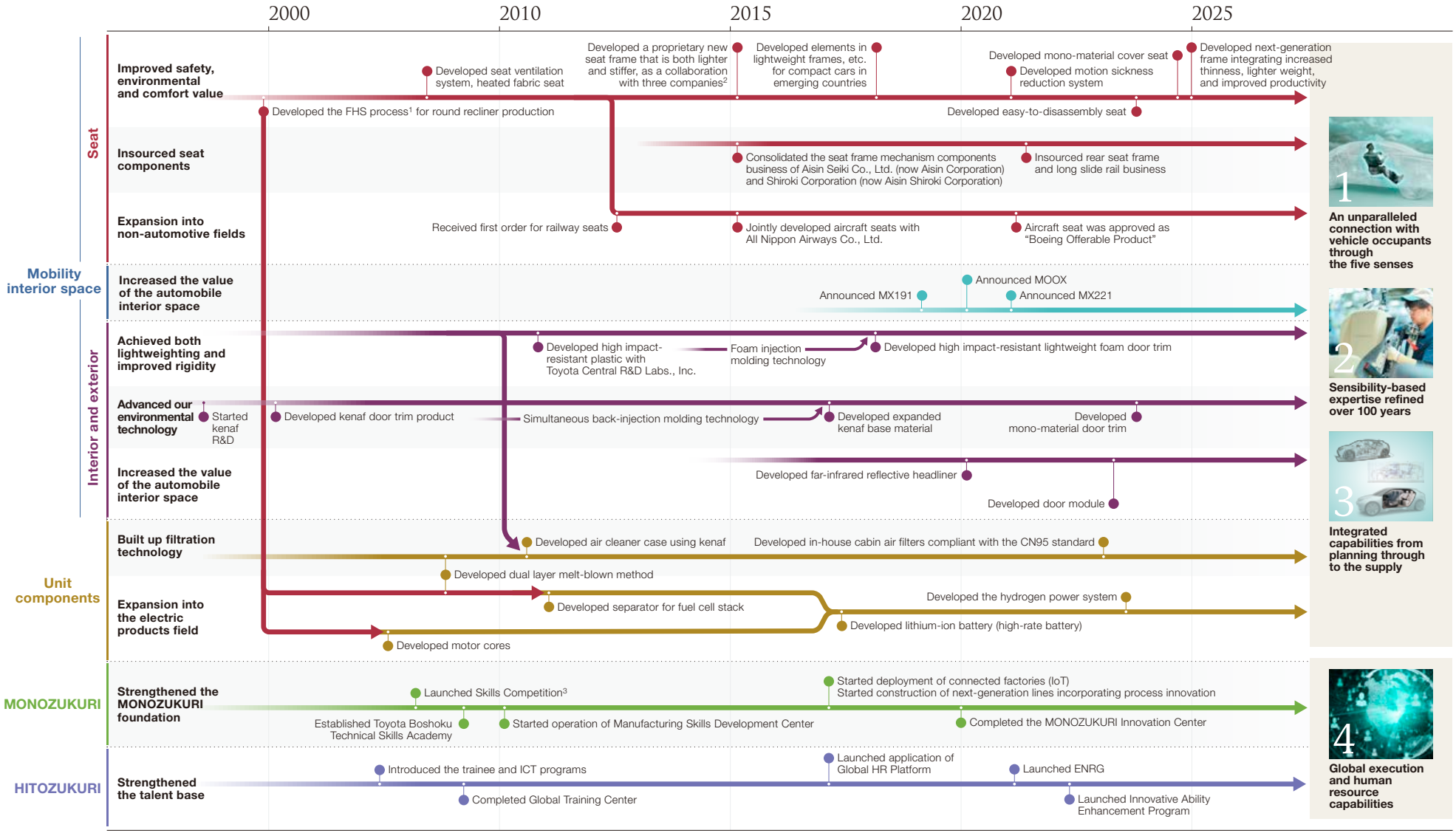
4

Global execution and human resource capabilities

We have built a system that embodies Toyota Quality at more than 90 sites worldwide, enabling stable supply. It is our human resources around the world, supporting and strengthening this level of quality and supply at our manufacturing sites, who are our greatest asset.



Accumulated management resources



1 Fine Hold Stamping process: Our proprietary high-precision, high-speed stamping technology
2 Toyota Motor Corporation, Aisin Seiki Co., Ltd. (now Aisin Corporation) and Shiroki Corporation (now Aisin Shiroki Corporation)
3 An annual skills competition for company members working at our manufacturing sites.

Awareness of the market environment

The evolving value of the automobile interior space and the diversification of market structures by region

In addition to advances in electrification, autonomous driving, and connected technologies, the automotive sector is undergoing significant changes due to growth in emerging markets and the diversification of regional needs. In this environment, the nature of automotive value and the market structure are set to undergo a transformation, and companies are being required to find new ways to differentiate themselves and take strategic steps to achieve this.

Q How will the advance of electrification affect the automotive seat and interior business?

A While the shift to electrification is leading to a change in the composition of engine-related components, the value of automobiles is shifting toward the interior space, albeit with regional variations. The importance of the in-car experience is growing.

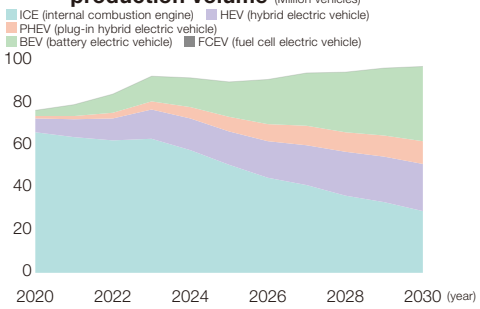
Potential risks

- Reduced value proposition capability due to delays in addressing the need for lighter and thinner designs associated with energy efficiency and cost constraints
- Reduced competitiveness and lost revenue opportunities due to inadequate response to the smaller number of components and need to create added value

Turning challenges into opportunities

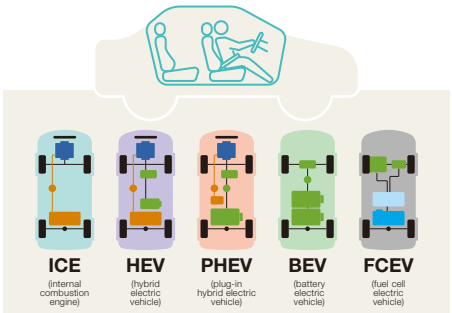
The Toyota Boshoku group views electrification not as a “change in the powertrain,” but as an “evolution of spatial value.” With the automobile interior space—which is not dependent on the drive system—at the core of our value creation field, we are building a business structure capable of delivering value tailored to the needs of specific regions and applications.

Data **Projected global automobile production volume** (Million vehicles)



Source: Calculated internally based on S&P Global Mobility data (May 2025)

The automobile interior space valued by people is common to all vehicles



Q Why is the value of the interior and cabin space increasing now?

A With advances in autonomous driving, electrification, and connected technologies, the factors that differentiate automobiles are expanding beyond driving performance to include the in-car experience. We are moving toward an era in which travel is not merely a means to an end, but is evaluated in terms of quality of time.

Potential risks

- The risk that due to intensifying differentiation-based competition, it will become difficult for a company to realize spatial value on its own
- The risk that the value provided will not meet increasingly sophisticated customer expectations

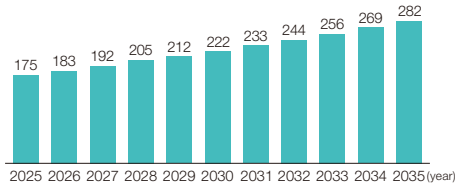
Turning challenges into opportunities

The Toyota Boshoku group views the automobile interior space as the interface that is closest to people. While integrating diverse technologies and features, we offer value through seats and interior products as a complete interior space. And by delivering comfort and well-being not merely as feelings, but as tangible value, we contribute to enhancing the value of the mobility interior space.

Data **The interior market is growing amid advances in the in-car experience**

Medium- to long-term growth outlook for the automobile interior market (global) 2025–2035

2025: USD 174.9 billion → **2035: USD 282.1 billion** | CAGR (Compound Annual Growth Rate): **4.9%**



Source: Calculated internally based on Future Market Insights, Inc. data (April 2026)

From driving to spending time: Rising expectations for comfortable automobile interior spaces

- Demand growth through personalization and customization
- Market growth from Luxury and Premium vehicles
- Advances in electrification and spread of autonomous vehicles
- Advanced infotainment features

Awareness of the market environment

Q Which regions do you prioritize as growth markets?

A Even among the emerging economies, there are only a limited number of countries that combine growth in vehicles in operation (VIO) with a large future market potential. India is experiencing a high growth rate and is also in a phase of expanding vehicle ownership, while China, although its growth is slowing, has one of the world's largest VIO markets.

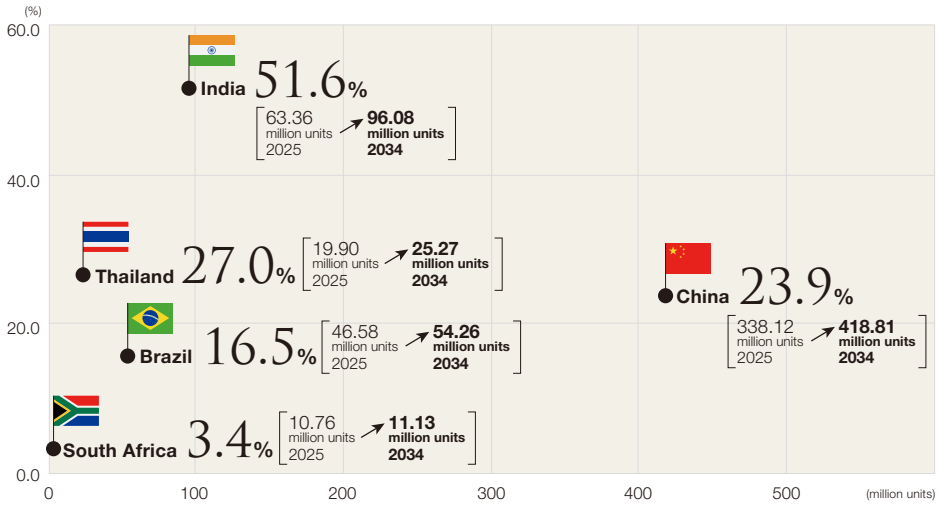
Potential risks

- Loss of business opportunities due to delays in allocating resources to growth markets
- The risk of being unable to implement optimal business expansion tailored to regional needs and market maturity

Turning challenges into opportunities

The Toyota Boshoku group views India as a developing market where the value of the automobile interior space is yet to be fully established, and China as a market with large demand but one that is maturing and becoming increasingly competitive. Based on this understanding, we realize the optimal value proposition for each region by combining products, technologies, and business models in accordance with customer needs and market maturity in each region.

Data Comparison of vehicle ownership growth rates in emerging markets (2025–2034)



Source: Calculated internally based on S&P Global Mobility data (April 2026)

Q What kind of automobile interior space is in demand in growth markets?

A Against the backdrop of the changing value placed on travel time, the mix of vehicle models has shifted toward those emphasizing rear-seat comfort, capacity for multiple passengers, and practicality. There is a growing demand for vehicle interiors tailored to regional needs, particularly in India and China.

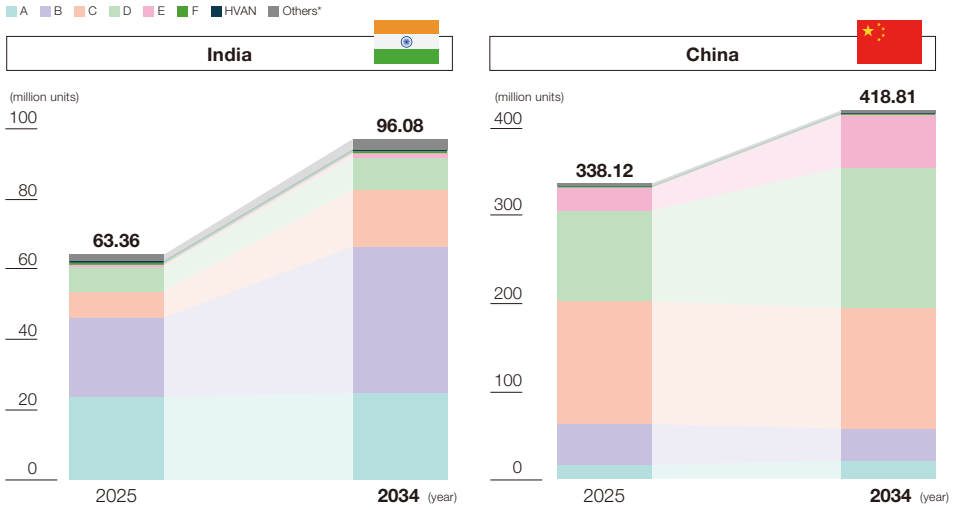
Potential risks

- Competitive disadvantage resulting from an inability to accurately identify local needs
- The risk of being unable to design optimal specifications and cost structures tailored to regional characteristics

Turning challenges into opportunities

Building on the expertise in creating automobile interiors we have cultivated in other regions, The Toyota Boshoku group also works closely with automakers in India and China to accurately identify local needs. Leveraging our extensive experience with vehicles ranging from compact cars to luxury vehicles, we quickly propose and implement optimal automobile interior spaces tailored to regional characteristics and specific uses.

Data Vehicle ownership by segment



Source: Calculated internally based on S&P Global Mobility data (April 2026)

* A through F indicate the vehicle class segments (A: entry-level; B: compact; C: midsize; D: upper-midsize; E: full-size; F: premium). HVAN refers to commercial vans and light commercial vehicles.

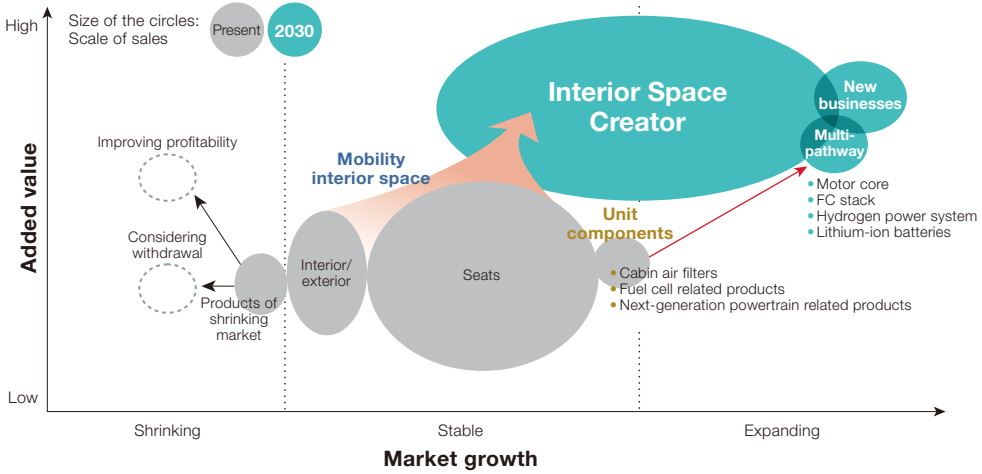
Business portfolio and customer portfolio strategies

Business portfolio

We are reviewing our business portfolio in order to realize our 2030 target to “Become a company as the Interior Space Creator which contributes to solving social issues while expanding product range and customer base.” Rather than viewing seats, interior & exterior, etc. as separate areas, we will increase the added value of the entire mobility interior space as the Interior Space Creator, while also investing resources in electric products, a growth area. We will also nurture new businesses to a level at which they become our next-generation core business.

Changing scale of sales

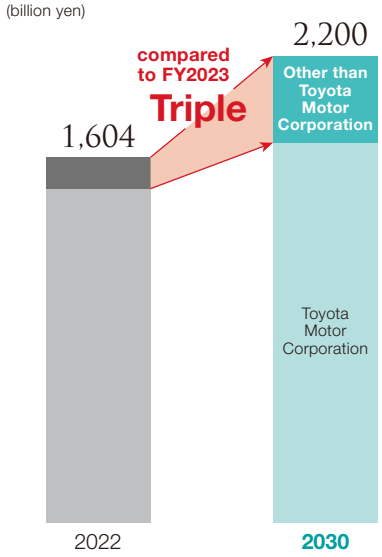
- **Expanding added value beyond the classification of seats and interior/exterior components as the Interior Space Creator**
- **Investing in growth fields such as electric products and developing new businesses**



Customer portfolio

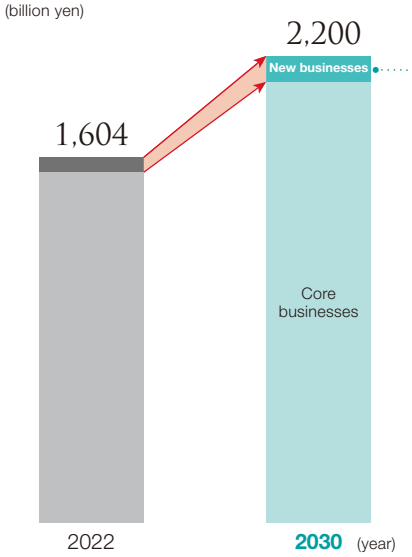
By strengthening our sales capability, the Toyota Boshoku group will further expand sales channels by 2030 in addition to ensuring our existing Toyota business. To expand sales channels, we will proactively promote order-taking activities to customers other than strategic OEMs based on sales channels we have acquired in the reorganization of the seat frame mechanical components business through the transfer of commercial rights. We will also work toward acquisition of orders from new businesses.

Changing ratio of revenue by customer



(Assumed exchange rate: 135 JPY/USD)

Changing ratio of revenue by business



Expanding sales for new customers (MaaS servicers)

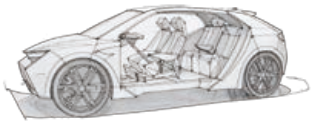
Expanding non-automobile sales

Expanding sales of aircraft seats

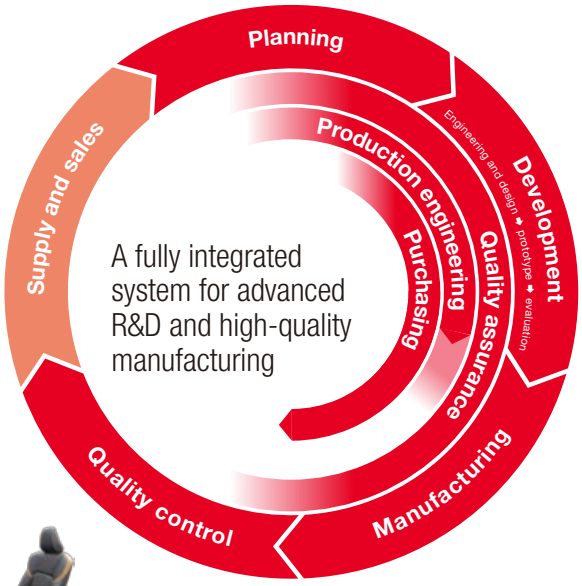
Use of a hydrogen power system

Balancing profitability and capital efficiency within our business model

Given the nature of our business, which involves upfront capital and development investments, the Toyota Boshoku group is enhancing profitability by increasing added value (the numerator) while optimizing costs (the denominator: capital investment and fixed costs) in every process from planning through to supply. In addition, since the market environment, customer needs, and revenue generation structures vary by region and country, we optimize our business model to suit the specific characteristics of each market, thereby improving capital efficiency across the entire group.



Business model







Numerator: Maximizing added value
Denominator: Minimizing cost
= ISC growth strategy from a profitability perspective

	By region		
	Mature market Maximize profits through higher value-added offerings	**Common**	**Growth market** Expand market share through volume and speed, and achieve early profitability
Planning			
Numerator	● Increase adoption through planning & proposals for the entire automobile interior space (value proposals at the planning stage) ● Create medium- to long-term adoption opportunities based on the product roadmap		
Denominator	● Optimize structures and cut costs through reduction in the number of parts ● Optimize procurement ● Reduce design workload through the use of automated design tools		
	● Implement proposals emphasizing not only functionality, but also experiential value and differentiated value ● Increase unit prices and improve profitability through higher value-added offerings	● Create value by leveraging the strengths of an end-to-end system (from planning to supply)	● Design specifications and cost structures tailored to regional needs
Development			
Numerator	● Increase orders through a shift to proposal-oriented development (differentiation through technical proposals) ● Create opportunities to win orders through expansion in the control and software fields		
Denominator	● Advance design capabilities through AI (drawing accuracy and design quality) ● Reduce development lead times		
	● Enhance spatial value through total design of the space	● Ensure quality and reliability	● Achieve rapid development response through standardization
Manufacturing			
Numerator	● Achieve MONOZUKURI competitiveness through new methods ● Optimize processes and equipment through the use of digital twins		
Denominator	● Reduce loss and innovate processes through TPS and AI ● Reduce fixed costs through line autonomation		
	● Balance early support for high value-added specifications with quality and productivity	● Balance profit generation with cost competitiveness	● Secure supply capacity and achieve rapid start-up through local procurement
Quality control			
Numerator	● Create opportunities to win orders by providing reassurance and trust based on market needs and the user perspective ● Provide quality assurance and reliability through enhanced traceability		
Denominator	● Streamline inspections through the use of digital tools ● Prevent defect outflow and recurrence by strengthening quality consistency through standardization		
	● Ensure consistent quality to support the brand and user experience	● Improve quality, brand, and market reputation	● Achieve stable quality tailored to regional characteristics
Supply and sales			
Numerator	● Create opportunities to win orders through stable supply ● Increase orders from existing and new customers ● Increase proposal opportunities through customer response capabilities leveraging insights from existing business		
Denominator	● Achieve autonomation of optimal inventory management ● Improve the inventory turnover ratio ● Improve load factors and optimize transportation routes through data utilization ● Minimize additional investment by maximizing existing assets		
	● Create continuous value through data and improvement feedback	● Reflect market feedback in planning and development	● Increase opportunities through supply stability

Q4

How will we bridge the growth gap by 2030?



Section 4

Strategy for achieving the targets for 2030

39 Overview of the 2030 Medium-Term Business Plan
40 Corporate strategies framework
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47 Progress on ESG KPIs
48 Strengthening monitoring of KPIs
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Overview of the 2030 Medium-Term Business Plan

The Toyota Boshoku group is pursuing the enhancement of corporate value and sustainable growth, setting out our 2030 Target in order to realize our Vision. Inheriting our founding spirit of "for the world and for people," we aim to achieve steady growth by consistently contributing to society in our own unique way, and linking this to solid business results.

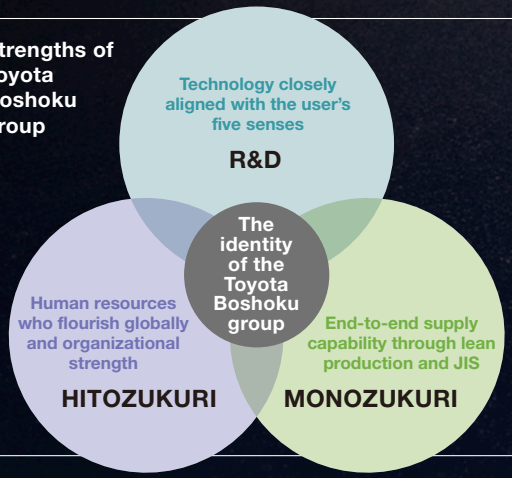
2030 Target

Become a company as the Interior Space Creator which contributes to solving social issues while expanding product range and customer base

Change in the external environment

Rising expectations for comfortable vehicle interior space

Strengths of Toyota Boshoku group



Corporate strategies

1. Enhance **"Planning & Proposals Capability"** for comfortable mobility interior space and **"R&D Capability"** for realizing it
2. Acquire **"MONOZUKURI Competitiveness"** to be trusted and selected throughout our supply chain
3. Strengthen **"Sales Capability"** to expand the range of products and customers
4. Strengthen **"Management Foundation"** to support growth

Financial targets for 2030

Revenue	2,200 billion yen
Operating profit	150 billion yen
Operating profit ratio	7%
DOE[1]	3% or higher (Dividend payout ratio approx. 30% is considered)
Equity ratio[2]	Approx. 50%

We are aiming for our highest ever operating profit ratio, while maintaining and increasing our share of each market. We have also introduced DOE in order to achieve stable shareholder returns over the long term.

Non-financial targets for 2030

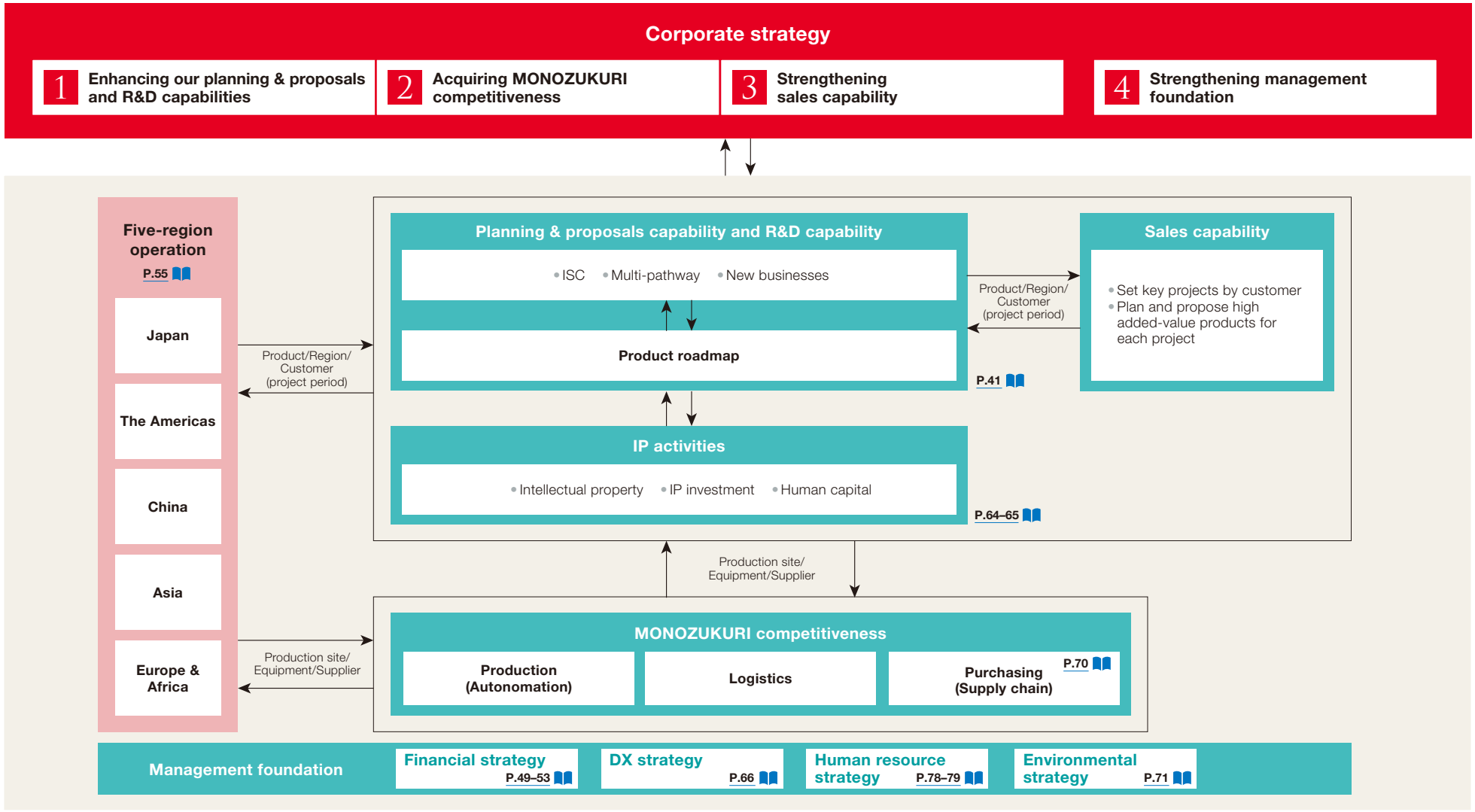
To become a company with which all of our stakeholders feel an affinity and say, "I like Toyota Boshoku," we have established KPIs for each of the ESG categories and are conducting activities.

1 Dividend on equity ratio
2 Ratio of equity attributable to owners of the parent

P.46–47

Corporate strategies framework

The Toyota Boshoku group has set four corporate strategies to realize our 2030 Target: Enhance planning & proposals and R&D capabilities; Acquire MONOZUKURI competitiveness; Strengthen sales capability; and Strengthen management foundation.
These strategies are structured based on our unique framework, and we have formulated 22 action plans tied to each strategy.
Concrete target values and a roadmap have been set through to 2030 for action plans, and as we strive to steadily advance them, we are sharing the progress status and issues throughout the company.
In addition, we are deploying our strategies across each function and division, and our five regions, and advancing flexible and effective plans developed in view of our global business expansion and regional characteristics.

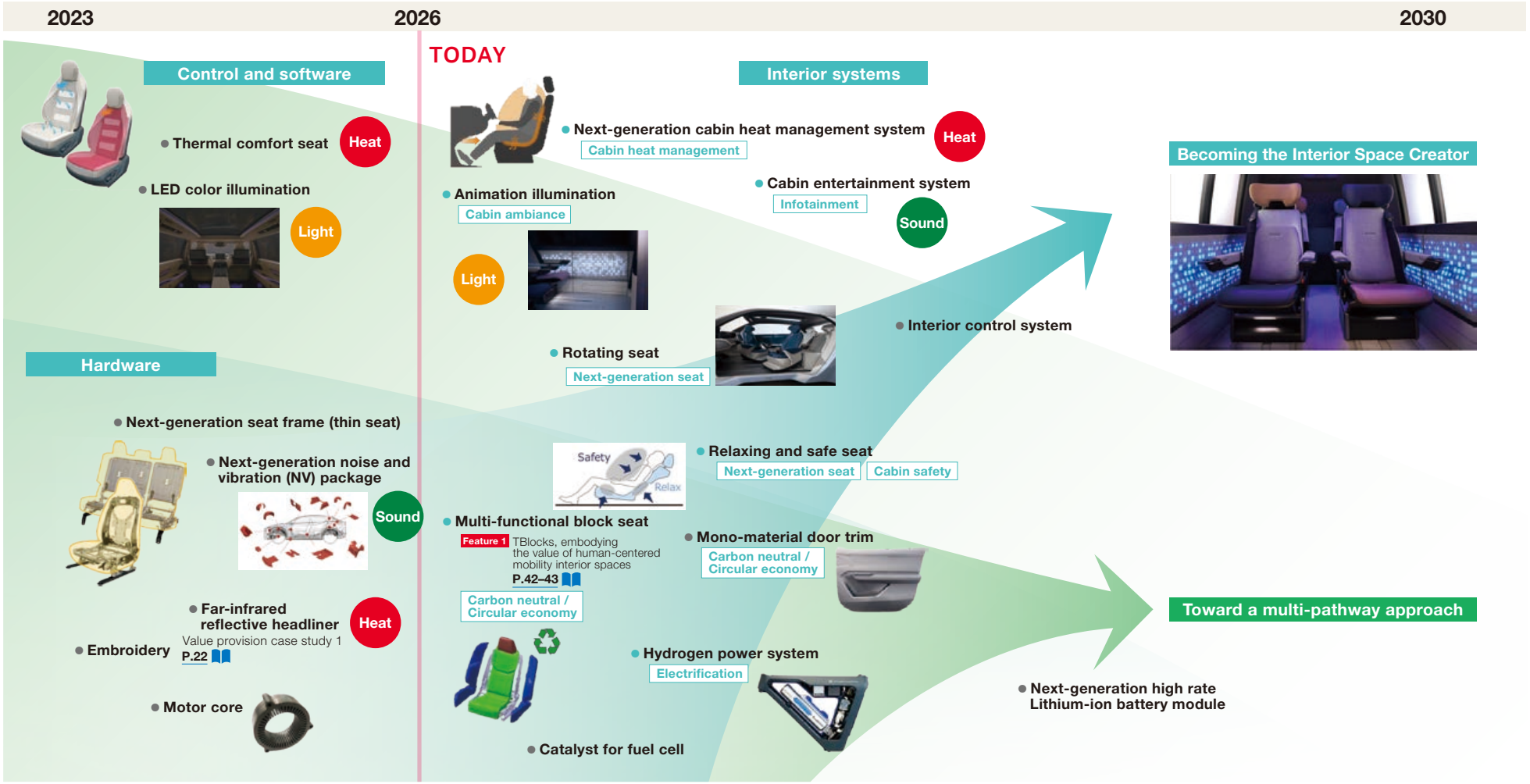


Product roadmap

Aiming to maximize added value, we bring to fruition those technologies that should be internalized in the product roadmap

We have incorporated the development status of high-value-added items into our roadmap. In addition to our existing hardware, such as seats and interior and exterior components, we are also venturing into new fields such as control systems and software. Furthermore, to support a multi-pathway approach, we will actively promote development in the fields of hydrogen power systems and lithium-ion batteries, from elemental technologies through to commercialization.

● : Development completed (● : FY2027 focus product)



Feature 1 Embodying the value of human-centered mobility interior spaces

Development of the modularized, multi-functional block seat “TBlocks.” Balancing environmental sustainability with comfort

Following approximately four and a half years of development beginning in 2021, we developed “TBlocks,” a multi-functional block seat consisting of six blocks divided into backrest, seat cushion, and side bolsters. Toyota Boshoku independently designed and developed the seat, and then proposed it to automakers. It was recognized as a seat offering a new competitive edge, leading to its adoption in the new Lexus ES.



Market Redefining seats to meet changing user values and environments

As a result of the increasing ownership of automobiles and changes in how people use the cabin space, the value of vehicles is becoming increasingly diverse, shifting from simple “mobility” to time spent and experiences inside the vehicle.

In addition, while approximately 80–90% (by total weight) of scrapped vehicles are being recycled, interior components such as the seats are composed of multiple materials, making them difficult to disassemble and separate. As a result, recycling has not progressed as much.

In light of these changes in the market structure, at Toyota Boshoku we realized that we needed to reconsider the value expected of seats.

Features Realizing human-centered functional modularization

1. Achieving a reduction in environmental impact

We have reduced urethane usage by approximately 20%, enhancing environmental performance (P.43❶). In addition, the ease of disassembly and replacement also contributes to improved recyclability.
The seat has already reached practical application, including its adoption in the new Lexus ES, and we aim to expand its use across more models in the future.

2. Pursuing improved comfort based on ergonomics, as well as safety and compatibility

Ride comfort is achieved through a human-centered design that optimizes features such as pressure distribution (P.43❷). Furthermore, we have ensured compatibility, enabling it to be installed directly onto existing frames while also meeting safety standards.

3. High customizability and maintainability through a block-based structure

The seat is divided into six blocks (three back sections + three cushion sections). It can be disassembled without special tools, allowing for design expression through different combinations (P.43❸). We are also looking at expanding our services into the aftermarket in the future.

Feature 1: Embodying the value of human-centered mobility interior spaces



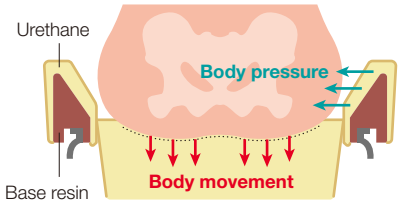
❶ Sustainability

The seat's structure, which allows for disassembly on a block-by-block basis, improves the efficiency of the recycling process and reduces the workload. By addressing the long-standing challenge of ease of dismantling and sorting, efficiency in the dismantling process is expected to improve by approximately 15%. In this way, we are promoting the reuse of resources and contributing to the realization of a recycling-based society. In addition, by expanding the range of resins used in the base material, we have reduced the amount of urethane used by approximately 20%, thereby curbing resource consumption and CO_2 emissions during manufacturing and disposal. While balancing environmental performance with safety and durability, this contributes to a lower environmental impact throughout the seat's life cycle.



❷ Ride comfort

The new structure reduces surface tension in the seat cushion, improving body pressure distribution when seated. Furthermore, by incorporating a structure that combines the base resin with urethane on the sides, the design achieves both the rigidity needed to support the user and the flexibility to conform to the body, resulting in stable support and a comfortable ride. In addition, by repeatedly verifying the optimal placement of resin components and their combination with urethane shapes to support the occupant, the system helps minimize lateral and forward-backward body movement during vehicle maneuvers such as accelerating, turning, and braking, thereby contributing to improved stability and reduced fatigue while driving.



Improved ride comfort performance

By dividing the backrest, seat, and sides into blocks, the design enhances support and improves comfort and driving stability

❸ High customizability

The seat's block-based structure enables the optimal design for each section, something that was difficult to achieve with the conventional integrated structure. It allows for customization to meet a variety of uses and needs. Also, by adopting an approach that tailors the performance to each section of the seat, the structure is designed to simultaneously achieve multiple values, including comfort and aesthetics. Moreover, by combining a diverse range of design expressions, such as color, surface finish, and decorative elements, with the optimization of rigidity and materials for each section, the seat offers the flexibility to accommodate a wide range of customizations tailored to customer needs, and has the potential to deliver both comfort and added value.



A structure that allows for design expression through combinations

A structure that can be customized to suit different body types and preferences

Feature 2 Embodying the value of human-centered mobility interior spaces

Applying the seat development technologies we have honed in the automotive seat and interior business to the aviation sector.



In the aviation industry, the standards for safety, comfort, and reliability are also extremely high, and compliance with strict certification systems is required. Leveraging our strengths including ergonomics-based design for comfort and production engineering, acquired through our automotive business, we are now developing aircraft seats.
By meeting the demanding requirements specific to aircraft, we will further hone our technical capabilities and deliver new value to our customers.

Market The global aircraft market

Global passenger demand is growing at an annual rate of about 3–4% and is expected to roughly double in 20 years

Demand for new aircraft is expected to reach approximately 40,000 units over the next 20 years

In addition to growth-driven demand, replacement demand is supporting the market

(Calculated in-house based on long-term market forecasts by Boeing and Airbus)

Results Building a track record of successful adoption and expanding sales

Approved as Offerable Products for Boeing 737 and 787

- Listed in the official catalog that airlines use when ordering new aircraft
- Expanding opportunities to win orders from new airlines
- Accelerating market expansion by broadening relationships with airlines in Japan and overseas

Timeline of product adoption

FY2016–	Installed on Boeing 767 aircraft (domestic flights in Japan)
FY2020–	Installed on Boeing 777 aircraft (domestic flights in Japan)
FY2023–	Installed on Boeing 787-9 aircraft (domestic flights in Japan)
FY2024–	Installed on Boeing 787-10 aircraft (domestic flights in Japan)
FY2027 and after	Expanded rollout to airlines in Japan and overseas (planned)

Outlook Expansion into high value-added fields

While we have primarily focused our business on economy class until now, we are exploring the possibility of entering the business-class seat market to capture further growth opportunities. Business class is a high value-added field with stringent demands for comfort and roominess, where we can leverage the expertise in ergonomics and comfort design we have cultivated in our automotive seat business. By expanding our business fields within the aviation sector, we aim to accumulate new technologies and insights and apply them to our automotive business, thereby enhancing the value of human-centered mobility interior spaces.

4. Strategy for achieving the targets for 2030

Feature 2: Embodying the value of human-centered mobility interior spaces



Case study Achieved Top-ranking in Boeing's Supplier Evaluation

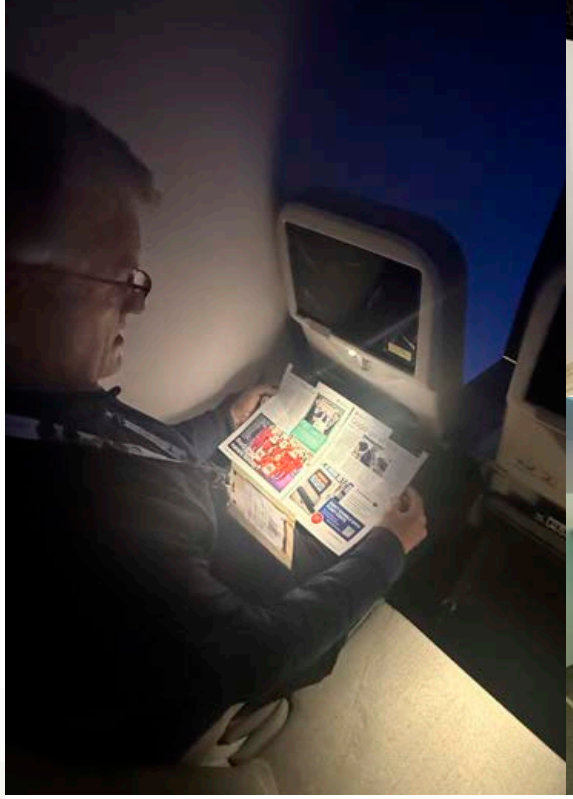
In Boeing's evaluation of seat suppliers, our company received high marks in areas such as performance, innovation, strategic alignment, partnership, and supply chain, and achieved the top-ranking.

We were highly commended for applying the production management expertise and quality control systems we developed in our automotive seat business to our aircraft business, thereby consistently achieving high quality standards and a stable supply system. In addition, our efforts to foster close collaboration with Boeing, from development through to production and supply, and to build a relationship of trust, have also contributed to this recognition.

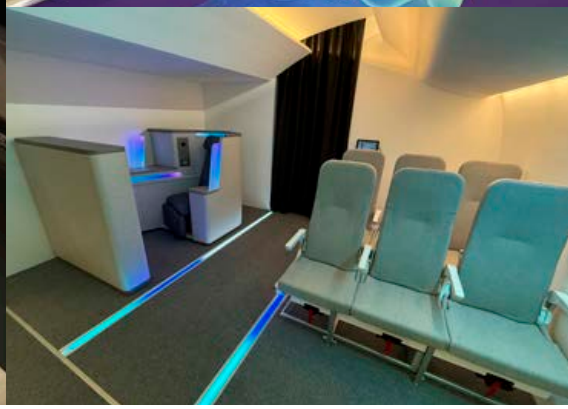
Against the backdrop of the commercial aircraft market, which is expected to continue growing over the medium to long term, we will further strengthen our partnership with Boeing and work to bolster our position as a strategic supplier by expanding our aircraft seat business.



Supplier Summit, together with Boeing members







Case study Market development through participation in AIX in Germany

In April 2026, at Aircraft Interiors Expo (AIX) held in Germany, we conducted market research and customer acquisition activities in collaboration with Panasonic Electric Works Co., Ltd. (referred to below as "Panasonic EW"). We showcased an integrated concept that combines Panasonic EW's lighting solutions with our economy-class seats, with the aim of enhancing the experiential value around each seat within the cabin space. The exhibit featured a design that incorporates small reading lights into the seats. Unlike conventional overhead lighting, this design places the light source closer to the user's hands, offering a space that balances usability with consideration for the surroundings. This approach goes beyond the functional value of individual seats and demonstrates the potential to enhance the in-flight experiential value by considering seats and the surrounding space as a unified whole. Based on this concept, we held business discussions with airlines and aircraft manufacturers. We will continue working to enhance our presence in the global market by making proposals aimed at enhancing the value of the mobility interior space.

Progress on financial KPIs

	FY2026 results	FY2027 forecast	FY2031 targets
Revenue	2,037.0 billion yen	→ 2,100.0 billion yen	2,200.0 billion yen

Review

In fiscal 2026, despite the effects of exchange rates and other external environmental factors, revenue increased due to the launch of new products and expanded sales, particularly in Asia, and we achieved our target. Although uncertainty surrounding the outlook is expected to persist in fiscal 2027 due to factors including geopolitical risks and policy trends in various countries, we anticipate higher revenue driven by factors such as growth in seat production volume.

Operating profit	53.9 billion yen	→ 76.0 billion yen	150.0 billion yen
Operating profit ratio	2.6%	→ 3.6%	7%

Review

In fiscal 2026, results left room for improvement due to one-time factors such as impairment losses in the Americas and quality-related expenses. Although there remains uncertainty regarding the outlook for fiscal 2027, in order to bridge the gap with our fiscal 2031 targets we will ensure that our investment in resources to accelerate future growth yields tangible results, and we will pursue further cost-reduction initiatives to counter factors including rising market prices and tariffs.

DOE	3.3%	→ 3.1%	3% or higher
Dividend payout ratio	66.0%	→ 33.4%	Around 30%

Review

Our basic policy regarding returns to shareholders is to continue providing stable dividends over the long term, with a target dividend on equity (DOE) ratio of 3% or higher, as in fiscal 2026. For fiscal 2027, we plan to pay an annual dividend of 86 yen per share.

	FY2026 results	FY2027 forecast	FY2031 targets
Ratio of equity attributable to owners of the parent	41.0%	→ —	Around 50%

Review

We believe that increasing the ratio of equity attributable to owners of the parent is essential as a financial foundation for expanding our business with a diverse range of customers and taking on new business challenges. We will steadily work toward our fiscal 2031 targets while maintaining a balance with returns to shareholders.

Capital investment (partially including strategic investments)	68.0 billion yen	→ 92.0 billion yen (partially including strategic investments)	450.0 billion yen (FY2027–2031 total) (including 150.0 billion yen in strategic investments)

Review

Investments associated with product changeovers and investments aimed at strengthening competitiveness will be managed as capital expenditures, while investments in sales expansion and Value Time 2X (VT2X) will be managed as strategic investments; this will be implemented in line with regional characteristics with the goal of enhancing our MONOZUKURI competitiveness. In India, we will establish new sites in the northern, western, and southern regions to keep pace with Toyota's expansion of production capacity, while also aiming to increase orders from OEMs other than Toyota. In Japan and the Americas, we will invest in autonomation to drive logistics reform and process innovation.

R&D expenses	61.3 billion yen	→ 66.0 billion yen	300.0 billion yen (FY2027–2031 total)

Review

We are investing in research and development with the goal of internalizing the technologies needed to realize our vision of becoming the Interior Space Creator and bolstering our R&D capabilities. In fiscal 2026, we developed the multi-functional TBlocks seat, which offers improved ride comfort and recyclability, as well as door trim that provides uniform illumination over a large area. In the Unit Components Business, building on our core technologies, in filter and powertrain (FPT) products we continued to develop affordable, high-quality and high-performance filters, while in electric products, we focused on developing compact fuel cell stacks for automated conveying equipment, as well as motor cores.

Progress on ESG KPIs

KPIs for measuring the Toyota Boshoku group's social value are organized within an ESG framework to manage progress on materiality. These KPIs are reflected in officers' compensation according to the degree of achievement.
In this report, we identify the key items from among our initiatives aimed at realizing the 2030 goals, based on their relevance to our business and finances as well as their social impact, and describe their progress. Please note that other KPIs are disclosed on our website.

	FY2025 results	FY2026 results	FY2031 targets
Plant GHG emissions reduction ratio (total volume) (compared to FY2020)	–41%	–49%	–50%
Ratio of recycled materials applied to products[1]	5.6%	5.6%	30%
Number of "people-friendly" autonomation items implemented[2]			
(1) Implementation rate on mass production[3]	(1) 71%	(1) 100%	(1) 100%
(2) Achievement rate of processing cost reduction target	(2) 56%	(2) 89%	(2) 100%

Progress and evaluation

Under the 2030 Environmental Action Plan, in fiscal 2026 we successfully reduced GHG emissions from our plants by more than our target of a 25% reduction by fiscal 2026, through continued energy-saving improvements, the introduction of renewable energy, and the development and utilization of an energy visualization system.

Progress and evaluation

To contribute to a recycling-based society, we aim to establish technologies that will enable us to achieve a recycled material content rate of 30% in our products by fiscal 2031. In fiscal 2026, we promoted the development of recycled resins that meet the quality standards required for automotive applications and conducted evaluations of their use in products. At the same time, preparing for an increase in the required volumes, we began developing materials using recycled raw materials derived from packaging and construction materials. In fiscal 2027, we will work to resolve issues related to mass production through demonstrations conducted as part of pilot projects, with the aim of increasing the use of recycled materials and promoting resource circulation.

Progress and evaluation

We are promoting autonomation as one of our initiatives to address the labor shortage, which is also a societal issue, and to realize production processes where everyone can work safely and comfortably. In fiscal 2026, we implemented improvements focused primarily on processes with high workloads, such as the automated supply of seat frame components that eliminates the need to handle heavy loads, and the autonomation of adhesive application that does not involve working with organic solvents, and successfully achieved our plan for introducing autonomation. These initiatives aim to reduce workloads and ensure consistent quality, while also helping to lower processing costs through labor savings. With regard to our target reduction for processing costs, although the schedule fell behind the original plan due to delays in launching some initiatives, we achieved our target in May 2026. Going forward, we will continue aiming to achieve both ease of working and enhanced competitiveness by promoting initiatives based on our autonomation roadmap.

1 Weight percentage of recycled resin that is technically suitable for use in plastic products of key vehicle models
2 A process metric indicating the percentage of planned autonomation projects successfully implemented on mass production lines
3 A performance metric indicating the extent to which productivity gains from autonomation have been achieved

	FY2025 results	FY2026 results	FY2031 targets
Ratio of new product development leading to Interior Space Creator	15%	15%	30%
Ratio of female managers	2.6% (40 people)	3.3% (52 people)	>5.0% (>65 people)
Degree of implementation of the Toyota Boshoku Group Guiding Principles	89%	95%	90%

Progress and evaluation

As a metric for measuring progress in product development toward the realization of the ISC, we monitor the development rate of products in our product roadmap that deliver new value within the automobile interior space. In fiscal 2026, we achieved our target of 15% as a result of steadily advancing the development of products in new business fields to expand sales. For fiscal 2027, we have set a target of 18% and will work to increase our product lineup toward the realization of the ISC, by promoting development based on our product roadmap.

Progress and evaluation

To increase the proportion of women in management positions, we are implementing systematic development programs for key development candidates and are promoting initiatives to further women's career advancement. In fiscal 2026, we drew up segment-specific development plans for Next100 participants (P.80) and promoted systematic talent development through collaboration between the HR Division and other divisions to clarify promotion timelines. In addition, to promote women's advancement in the workplace, we provided career development support through career training and one-on-one consultations. As a result of these initiatives, we achieved our target of 3.3%. As our initiatives to date have helped build a talent pool, in fiscal 2027, in addition to accelerating talent development, we will work to foster a supportive environment, including introducing the Career Development Leave Program, to facilitate the continued promotion of company members.

Progress and evaluation

We use a global questionnaire as a metric for tracking the extent to which fairness and moral behavior have been embedded among company members, and we monitor trends over time. In fiscal 2026, as a result of expanding multilingual support and continuing to implement group-wide awareness activities, the implementation rate reached 95%, exceeding our 90% target. We will continue working to ensure that the Toyota Boshoku Group Guiding Principles are fully embedded among our company members.

Strengthening monitoring of KPIs

We are promoting standardization so that management decisions in relation to economic and social value KPI targets for 2030 can be made based on quantitative data, thereby aiming to refine business management.

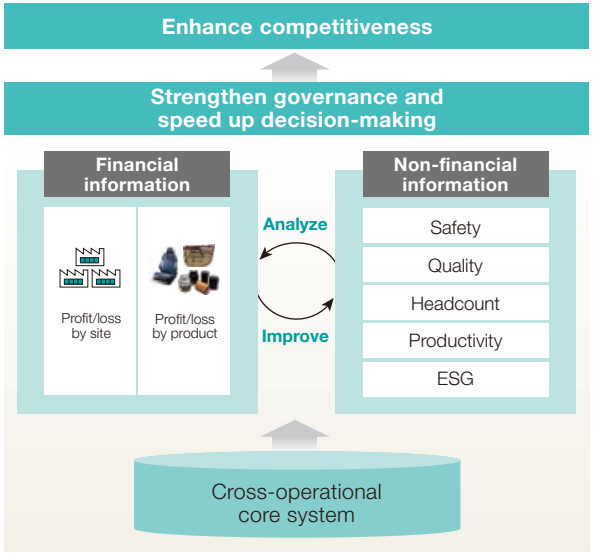
In addition to financial information, non-financial information such as safety, quality, headcount, facility productivity, and environment was collected and visualized globally. In particular, in the area of environment, we manage information such as GHG emissions and the rate of introduction of renewable energy. The economic value KPIs and certain social value KPIs, which have now been visualized, are centrally managed by means of the management information infrastructure, and monitoring is carried out for each KPI item while utilizing this in the Corporate Management Meeting. Thresholds can be set for predictive management to immediately identify issues and take appropriate countermeasures. We are promoting faster decision making by shortening the lead time to information visualization, with visualization of the previous month's activities now operational within 8 business days of the current month (applicable to financial information; within 10 business days for non-financial information).

Business Management Structure

We have developed the Business Management Structure, which is a system for effectively utilizing and controlling management resources, and we follow up on progress using KPIs. While strengthening the monitoring of management, we measure the degree of achievement of our medium-term business plan and implement the PDCA cycle, as necessary, to get back on track.

We aim to enhance both economic and social value, and control them with the Management KPI, Financial KPI, Operational KPI, Competitiveness KPI, and ESG KPI.

Target of management information infrastructure

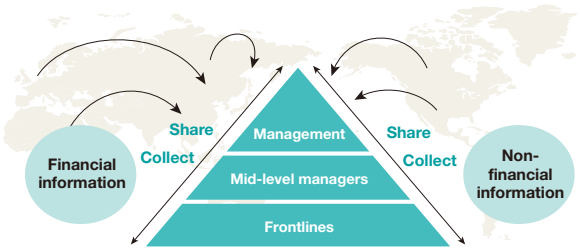


Visualization and use of previous month's activities

Within 8 business days of current month*

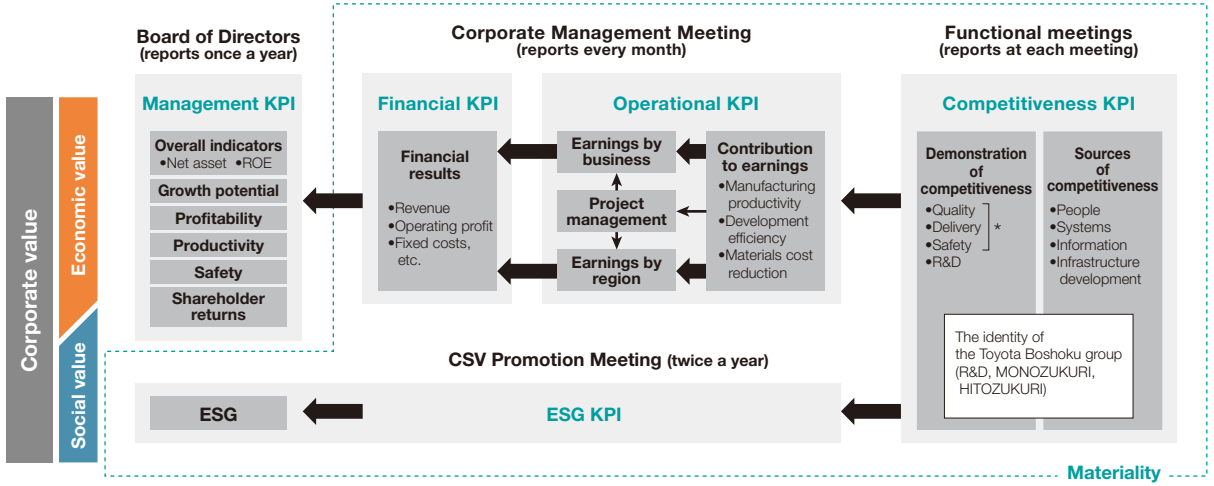
Collect and analyze globally shared data quality (items, precision)

*Financial information (within 10 business days of the current month for non-financial information)



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

Business Management Structure



* Reported at Corporate Management Meeting

Message from the CFO

From lessons learned in the 2025 Medium-Term Business Plan to a leap forward in 2030

Reliable cash generation and a cycle of growth investment



Hiroyuki Suzuki
Chief Financial Officer

Basic financial approach and policy

Reliably generating cash and distributing it in a balanced manner

The cornerstones of our financial strategy are maximizing cash flow and optimizing allocation. While we have consistently adopted this approach for some time, we are currently focusing on how to make it more effective.

In driving this initiative forward, we will pursue growth investment, shareholder returns, and financial soundness in a unified manner, while paying even closer attention to the overall balance of our financial strategy. To that end, it is important to first generate solid profits from our business and enhance our cash-generating capacity. We will build a financial foundation that supports sustainable growth while ensuring that our day-to-day management decisions align with our 2030 Medium-Term Business Plan (referred to below as "2030 MTP"). (➡See Fig. 1)

Review of fiscal 2026

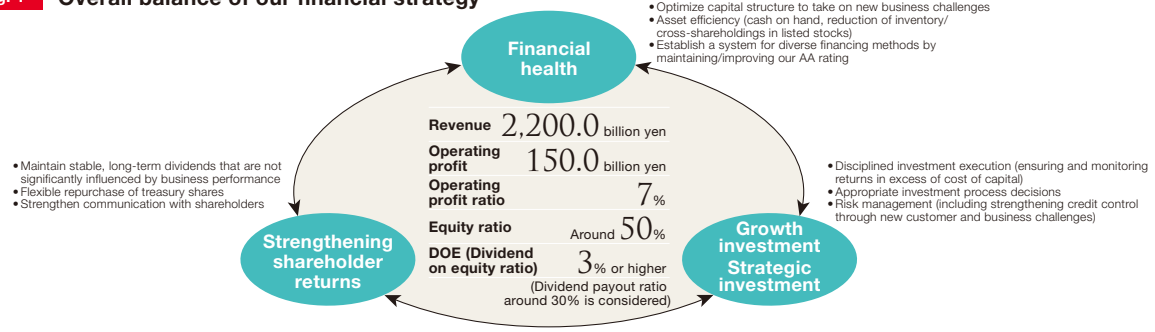
Challenges and lessons learned amid change

Our 2025 Medium-Term Business Plan, which began in fiscal 2022, concluded in its final year, fiscal 2026, with revenue of 2,037.0 billion yen and operating profit of 53.9 billion yen. With regard to revenue, even after accounting for the significant depreciation of the yen relative to the exchange rates assumed at the time, we were able to achieve our target of 1,600.0 billion yen. On the other hand, operating profit fell short of our initial target of 100.0 billion yen.

We recognize that, while there were non-recurring costs in fiscal 2026 such as recall-related free-of-charge repair costs and additional US tariffs, there were also challenges stemming from our profit structure itself.

Specifically, I am referring to the rise in costs due to inflation following the COVID-19 pandemic. Raw material, logistics, and labor costs rose significantly, and although we passed on some of these increases to prices, we were unable to fully absorb the costs. In addition, challenges remain in relation to investment projects that resulted in impairment losses and the management of post-investment returns; as a result, we recognize that there is

Fig. 1 **Overall balance of our financial strategy**



room for improvement in our overall profit structure. We will continue working on improving our processes, from the investment planning stage through to verification.

Looking at fiscal 2026 results by region, while Japan and the Americas pushed down earnings, Asia helped offset the decline. Although in Japan we promoted new product launches and cost-cutting measures, quality-related expenses and other factors weighed on results, leading to an operating profit of 5.1 billion yen. While the Americas region curtailed its losses through rationalization and increased production, quality-related costs and additional US tariffs resulted in an operating loss of 9.8 billion yen. In Asia, operating profit reached 40.0 billion yen, driven by increased production and streamlining.

With regard to quality-related expenses, we recorded approximately 21.8 billion yen for measures related to customer experience and convenience, including recalls involving the Highlander. Quality is one of the most fundamental elements in building a relationship of trust with our customers. We are working to prevent a recurrence, led by the Quality Assurance Division, while systematically identifying what happened in each division.

Amid the rapid environmental changes following the COVID-19 pandemic, new challenges, such as weaknesses in our profit structure and shortcomings in investment management, have also become apparent. We will incorporate these reflections and lessons learned into our 2030 MTP. (➡See Fig. 2)

Fiscal 2027 forecast

For fiscal 2027, we project operating profit of 76.0 billion yen, based on the assumption that production volume will increase due to factors such as the launch of new models. While some have pointed out that the profit contribution from the increase in the number of units is being offset by upfront investments, we are currently in the investment phase aimed at achieving the goals of our 2030 MTP. We are now investing in future growth, including autonomation, R&D, sales expansion, and human capital, and we expect to reap the benefits a little further ahead. Furthermore, the current business environment remains highly uncertain, with factors such as developments in the Middle East, rising material prices, and the risk of supply chain disruptions. Effectively and rapidly addressing these changes in the business environment is a key management challenge for fiscal 2027.

Toward achieving the 2030 Medium-Term Business Plan

Earnings improvement in Japan and the Americas set to boost overall performance

The 2030 MTP sets a target operating profit ratio of 7%. Currently, we are still at less than half of our target, and I believe that improving earnings in Japan and the Americas will be key to achieving it. Currently, Japan's profit ratio is less than 1%, while the Americas is operating at a loss. If we can raise the profitability of these two regions to the general level for the manufacturing industry, an operating profit ratio of 7% will be well within our reach. In addition to improving profitability in Japan and the Americas, we also need to expand our product lineup, increase business with customers other than Toyota, and tap into growth markets such as India, while also enhancing the profitability of our existing businesses. Our target for achieving the 2030 MTP is to maintain our revenue base in Asia and China while boosting overall profitability through improvements in Japan and the Americas.

Next, I will describe the initiatives being undertaken in each region.

Fig. 2 Progress on financial KPIs

	FY2025 results	FY2026 results	FY2027 forecast	2030 Medium-Term Business Plan
Revenue	1,954.2 billion yen	2,037.0 billion yen	2,100.0 billion yen	2,200.0 billion yen
Operating profit	42.3 billion yen	53.9 billion yen	76.0 billion yen	150.0 billion yen
Operating profit ratio	2.2%	2.6%	3.6%	7%
Equity ratio[1]	40.9%	41.0%	–	Around 50%
DOE[2] (Dividend payout ratio)	3.4% (**91.8**%)	3.3% (**66.0**%)	3.1% (**33.4**%)	3% or higher (Envisaging approx. **30**%)

1 Ratio of equity attributable to owners of the parent 2 Dividend on equity ratio

• Japan

In Japan, there are many challenges regarding the profitability of individual products. As part of our efforts to improve, we are reviewing all direct material costs (the costs of raw materials and parts directly consumed in the manufacture of specific products), processing costs, and fixed costs; however, our approach is not simply about cutting costs. While the cost of free-of-charge repairs should be reduced, in other respects it is important to improve the cost per function through VE (Value Engineering: a method aimed at achieving sufficient functionality at a lower cost). With regard to direct material costs, we will conduct extensive benchmarking, including against competitive automotive and parts manufacturers in China, and will work to adopt affordable, high-quality parts during product changeovers. Concerning processing costs, we are promoting the Value Time 2X (VT2X) initiative, which aims to double the added value per hour, and are working to increase productivity through autonomation and logistics reforms. We will also rigorously manage fixed costs by comparing them with those of our competitors and calculating back from our profit targets. As for wage increases, we will address them by enhancing and streamlining our operations through autonomation and the use of IT and AI, thereby improving productivity.

• The Americas

In the Americas region, improving the profitability of unprofitable sites, primarily in North America, is the most critical challenge. To improve profitability, in addition to increasing the contribution margin, we need to strengthen our earnings structure through reforms in support divisions and productivity improvements. Furthermore, retaining human resources is a significant challenge in North America, and fundamental improvements are required in both profitability and

organizational management. Going forward, we will strive to improve operational efficiency by promoting integrated regional management under the new organizational structure revised in April 2026, with the goal of achieving a structure that consistently generates profits.

• China

In China, enhancing our cost competitiveness and strengthening local R&D capabilities are key challenges. While China is the most intensely competitive market in the world, it is also a market that represents the cutting edge of the automotive industry. When I myself took a test drive in an autonomous vehicle in China, I felt it would be only a matter of time until widespread adoption. As initiatives to strengthen our local R&D capabilities, we have significantly increased the number of seconded company members and local engineers, and we have established joint ventures with local companies in areas where our technical capabilities are insufficient. Going forward, we will maintain and enhance our competitiveness by improving our development speed and customer service capabilities, and by reducing costs.

• Asia

Asia remains our core revenue base, but in anticipation of the entry of Chinese manufacturers, I feel it is necessary to further enhance our cost competitiveness. For this reason, we are promoting cost reductions through process reforms focused on eliminating waste, autonomation, and process consolidation. We also view India as our most important growth market leading up to 2030. Under the banner of the India Challenge 1000, we are aiming to achieve sales revenue of 100 billion yen. While strengthening our competitiveness through the development of specialized products and a shift toward local procurement, we will promote sales expansion activities tailored to the market characteristics of the northern, western, and southern regions to ensure that we fully capitalize on the growth of the Indian market.

• Europe & Africa

In Europe, against the backdrop of the shift toward electrification and stricter environmental regulations, the competitive landscape is evolving, including the rise of Chinese OEMs. Going forward, as well as further contributing to strengthening the competitiveness of our key customers, we will also leverage our existing locations, including Poland, to pursue new business opportunities with European OEMs. Furthermore, we will create opportunities to win new orders by strengthening our environmentally friendly technologies, thereby improving profitability. (➡See Fig. 3)

Fig. 3 Revenue and operating profit by region

(billion yen) (FY)

	Japan	The Americas	China	Asia	Europe & Africa
Revenue	968.0 **1,010.0** (2026 2027 (forecast))	542.3 **560.0** (2026 2027 (forecast))	216.0 **200.0** (2026 2027 (forecast))	302.2 **330.0** (2026 2027 (forecast))	124.0 **120.0** (2026 2027 (forecast))
Operating profit (Operating profit ratio)	5.1 (0.5%) **19.0 (1.9%)** (2026 2027 (forecast))	–9.8 (–1.8%) **4.0 (0.7%)** (2026 2027 (forecast))	14.7 (6.8%) **11.0 (5.5%)** (2026 2027 (forecast))	40.0 (13.2%) **40.0 (12.1%)** (2026 2027 (forecast))	3.7 (3.1%) **2.0 (1.7%)** (2026 2027 (forecast))

Maximizing cash flow

Enhancing our cash generation capacity through growth investments and asset efficiency improvements

We are working to enhance our ability to generate operating cash flow by improving business profitability and increasing asset efficiency.

As mentioned earlier in relation to increasing profitability, I will now describe several initiatives aimed at improving asset efficiency. First, we calculate ROIC by country across our five global regions and use these figures as the hurdle rate for new investment projects, with the aim of improving the return on investment.

We are moving forward with inventory reduction and the implementation of a cash management system, while also working to consolidate funds within Japan and establish a global cash management framework. In addition to strengthening financial governance by addressing the uneven distribution of funds, we continue to closely monitor inventory turnover and the cash conversion cycle. (➡See Figs. 4 and 5)

Although ROE stands at 5.0%, which is below the 9.5% cost of equity, we are in a recovery trend compared to fiscal 2025,

Fig. 4 Inventory turnover (raw materials, work in progress, finished products)

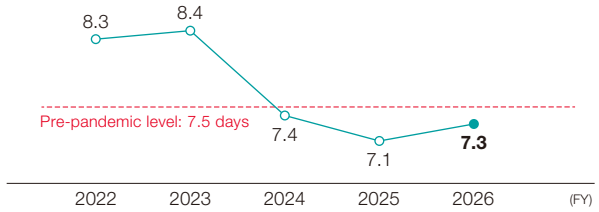
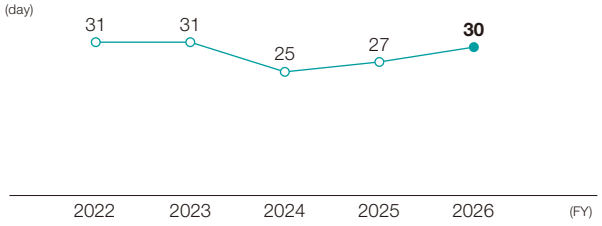


Fig. 5 Cash conversion cycle



driven primarily by profit growth while moving forward with the sale of idle assets and the reduction of strategic shareholdings. Our strategic shareholdings have been reduced to virtually zero, and we are also managing our borrowings as planned. We have also established a system for tracking global funds and visualizing risks, and we will use this to improve the accuracy of our investment decisions and capital allocation going forward. (➡See Fig. 6)

Optimal allocation and shareholder return policy

Continuing to invest in growth and generating a cycle of returns

To optimize cash allocation, we will appropriately allocate the cash we generate toward growth investments and shareholder returns. With regard to growth investments, this fiscal year we again plan to allocate a record-high amount to R&D (66 billion yen) and capital expenditure (92 billion yen) aimed at realizing the Interior Space Creator (ISC) concept. We view our company members as key stakeholders, and will continue to invest in human capital, including initiatives to improve their well-being and support reskilling. We allocate capital expenditures based on regional characteristics, prioritizing the expansion of our operations in India and autonomation in Japan and the Americas. Furthermore, in order to realize the ISC, rather than a self-reliant approach we are also considering options such as forming alliances and investing in corporate venture capital (CVC). We will stay well positioned to seize the necessary investment opportunities while maintaining financial soundness. (➡See Fig. 7)

With regard to shareholder returns, we have adopted the Dividend on Equity (DOE) metric with the aim of providing stable, long-term returns that are not influenced by short-term fluctuations in business performance. To meet the expectations of our shareholders, who support our sustainable growth, we will continue to provide stable and consistent returns. (➡See Fig. 8)

The current status and evaluation of PBR

Aiming to exceed a P/B ratio of 1x through growth and sustainability

Enhancing shareholder value is one of management's top priorities. Although our P/B ratio has remained below 1x recently, we clearly recognize that we need to bring it above 1x. To that end, in addition to improving our current business performance, it is important that investors gain a clear understanding of our growth potential and sustainability. (➡See Fig. 9)

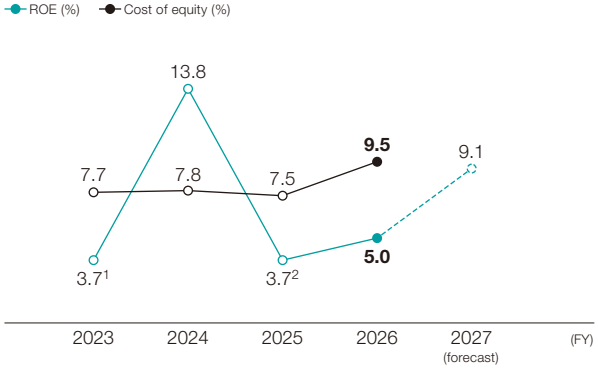
Regarding our growth prospects, we will gradually disclose the specific details of our 2030 MTP and provide more opportunities to explain it. With regard to sustainability, I believe it is important for us to become a company that is needed by society, through the realization of the ISC. Striving to become a

Fig. 7 CVC

Area related to our company	Investment results & specific examples	
	Results	Company
Mobility interior space MONOZUKURI	2 companies	Diver-X Inc.* and others
Mobility interior space	6 companies	WHILL, Inc. and others
MONOZUKURI	5 companies	Phoxter Corporation and others
ESG SDGs	3 companies	Agritree Co., Ltd. and others
Others	3 companies	Synspective Inc. and others
	Investments in 19 companies	

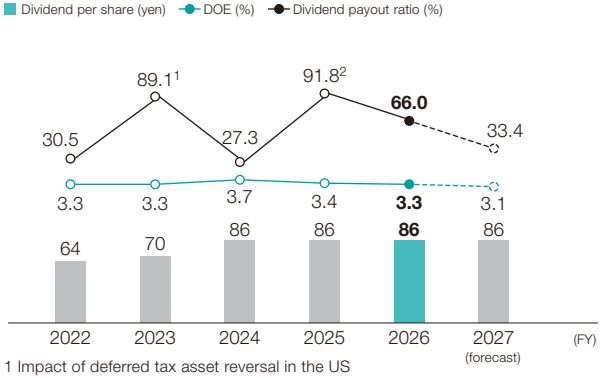
* Diver-X Inc. changed its name to Melt Interface Technologies Inc., effective July 1, 2026.

Fig. 6 Cost of equity × ROE



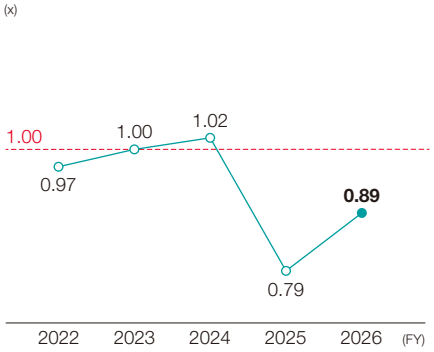
1 Impact of deferred tax asset reversal in the US
2 Impact of impairment loss

Fig. 8 Changes in dividend-related KPIs



1 Impact of deferred tax asset reversal in the US
2 Impact of impairment loss

Fig. 9 P/B ratio trend (at end of period)



company that makes all our stakeholders think, “I like Toyota Boshoku,” will ultimately lead to an increase in our corporate value and PBR.

As part of our initiatives to achieve this, we are moving forward with the company-wide implementation of the Management Tree (➡See Fig. 10) starting in fiscal 2026. The ultimate goal of the Management Tree is to enhance our corporate value. It serves as a tool to help each company member clearly understand how their work contributes to corporate value and to ensure that everyone is aligned in addressing management challenges. In fiscal 2026, we held a company-wide briefing session on the need to enhance corporate value and the objectives of introducing the Management Tree. Building on that, we identified the initiatives being undertaken by each division and the KPIs they prioritize, and by exchanging views with each division, we worked to gain a clear understanding of the specific initiatives being taken by each individual. In fiscal 2027, we will work to ensure that company members fully understand the Management Tree we have established through these activities, while also providing them with an opportunity to reflect on the connection between enhancing corporate value and their own work. If our company members feel connected through the Tree and everyone moves in the same direction, I think we can expect to see positive outcomes that we cannot yet foresee.

Message to stakeholders

Applying the lessons learned through dialogue to future dialogue

As CFO, engaging in dialogue with our shareholders and investors has been a great learning experience for me. Not only do their incisive observations based on our financial data provide valuable insights, but their candid opinions regarding our strengths and challenges, as well as their own future expectations of Toyota Boshoku, also offer important insights for management. We are committed to providing tangible benefits to our long-term shareholders, and this approach has also become increasingly clear through our dialogue with investors. (➡See Fig. 11)

On the other hand, I recognize that awareness of our company varies by region, and that there is room for improvement. By helping more people learn about our company and gain a deeper understanding of our strengths and growth potential, I hope to turn as many people as possible into Toyota Boshoku fans.

At the core of our company lies a corporate culture that values diligence and integrity, and is committed to continuously improving the quality of our work. I believe that as long as this culture is passed on to the next generation and management continues to set the right direction, our company will be able to achieve sustainable growth. We will continue to engage in dialogue with our shareholders and investors as we strive to become a company that resonates with and is trusted by all of our stakeholders.

Fig. 10 Management Tree

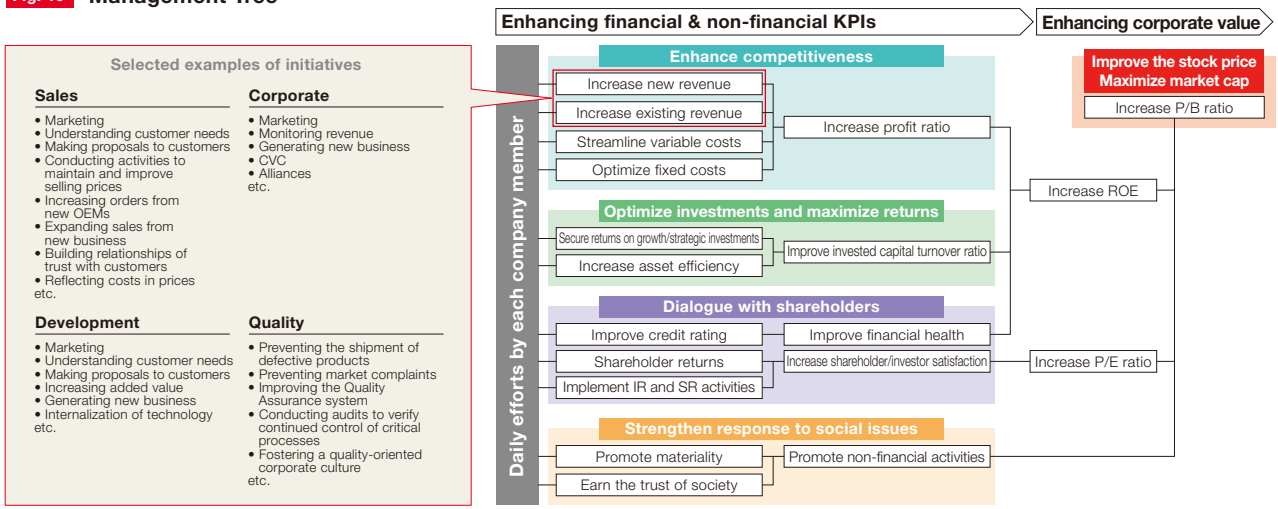


Fig. 11 Frequency of dialogue with stakeholders

Contents	FY2026 Frequency	FY2026 No. of people
Financial results presentations and business briefings (interim and year-end)	5	377
Briefings	1	12
Individual meetings	152	313
Investor visits by our officers	2	15
Conferences involving investors outside Japan	6	33
With institutional investors	166	750
With individual investors	4	1,279
Total	170	2,029

Investment strategy

Cash flow maximization and optimal allocation

The Toyota Boshoku group aims to enhance corporate value on a sustainable basis by prioritizing the allocation of generated cash toward growth investments, such as R&D and capital expenditures, while also ensuring shareholder returns and maintaining financial soundness. We evaluate and execute investment opportunities through a rigorous review process, and are promoting capital allocation that leads to the enhancement of corporate value over the medium to long term.

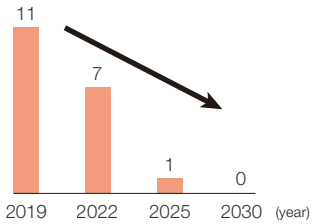
Cumulative forecast for the five-year period from fiscal 2027 to fiscal 2031 (billions of yen)

- **Maximize operating cash flow**
  Aiming to achieve our 2030 financial targets by implementing a growth strategy as the ISC
  - Customer expansion (orders from non-Toyota customers (Japan, U.S., China, India))
  - Effects of changeover to new products (control technology enabling comfort [sound, light, heat])
  - Promotion of VT2X (new methods, digital twins, process innovation)
- **Increase asset efficiency**
  - Reduction of cross-shareholdings
  - Reduction of cash on hand (global cash management)



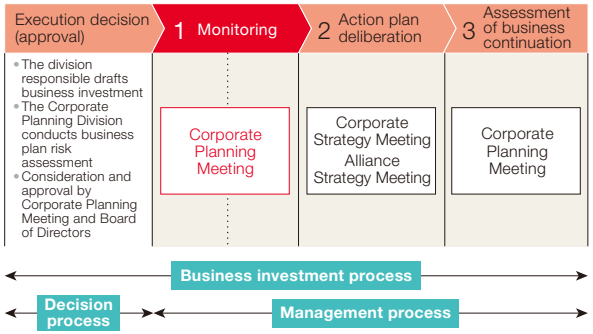
- **R&D expenses: 300 billion yen**
  - Internalization of technologies for the ISC (device control, multi-functional integrated control, etc.)
  - New product development (multi-functional block seat, animation illumination, etc.)
- **Capital investment: 300 billion yen**
  - Investment to support product changeovers
  - Investment to strengthen competitiveness
- **Strategic investments: 150 billion yen**
  - Sales expansion (new sites in India, etc.), VT2X (process innovation, etc.)
  - Implementation of strategic alliances
- **Additional shareholder returns: 50 billion yen**
- **Maintain dividends with a DOE of 3% or more, targeting a payout ratio of approx. 30%**

Number of cross-shareholdings



* Assuming operating profit ratio of 7% is achieved in fiscal 2031

Investment risk management



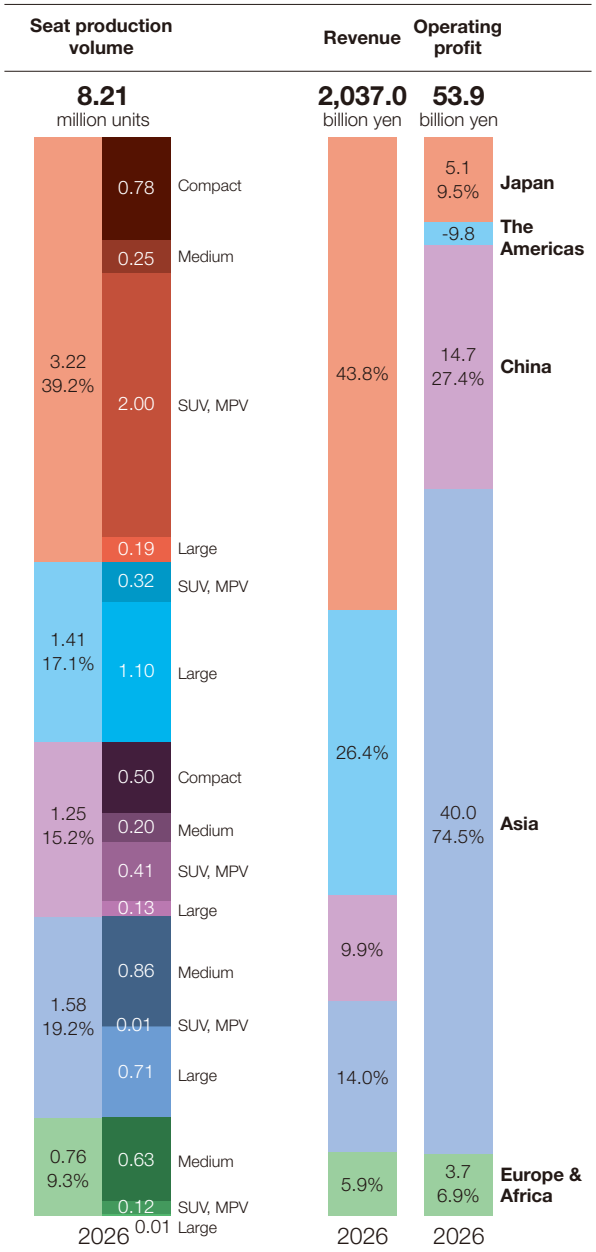
Disciplined decision-making in business investments

The Toyota Boshoku group views business investments as critical management decisions that contribute to our future competitiveness and the creation of corporate value, and we make disciplined decisions based on factors such as the cost of capital and return on investment. When evaluating investment opportunities, we make comprehensive judgments based not only on quantitative factors, such as the prospects for return on investment and profit generation, but also on considerations such as alignment with our growth strategy, future competitive advantage, and business sustainability. Furthermore, we have introduced an internal rate of return (IRR) based on country-specific cost of capital that reflects each country's risk level, and stress tests are conducted, led by Head Office, incorporating factors such as downward revisions to production volumes and interest rate fluctuations. In this way, we take decisions in the light of investment risk and conduct ongoing monitoring.

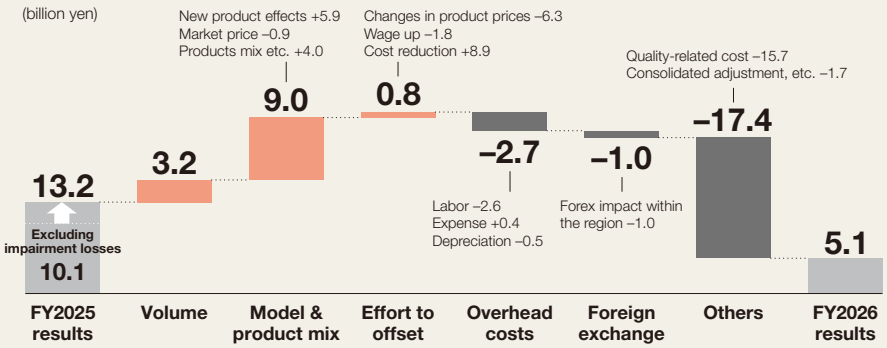
Through these initiatives, we are making investments that go beyond short-term profits to enhance our corporate value over the medium to long term.

Regional overview

	Seat production volume (10,000 units)	Revenue (billion yen)	Operating profit (billion yen) Operating profit ratio (%)
Japan	273 276 328 322 **322** (2022–2026)	700.6 732.9 922.8 939.2 **968.0** (2022–2026)	Operating profit / Operating profit ratio: 9.6 11.6 10.6 10.1 **5.1**; 1.4 1.6 1.2 1.1 **0.5** (2022–2026)
The Americas	122 126 142 136 **141** (2022–2026)	311.7 388.7 500.3 489.0 **542.3** (2022–2026)	Operating profit / Operating profit ratio: 2.9 −1.1 0.6 −26.0 **−9.8**; 0.9 −0.3 0.1 −5.3 **−1.8** (2022–2026)
China	149 156 147 133 **125** (2022–2026)	212.1 244.6 236.2 233.5 **216.0** (2022–2026)	Operating profit / Operating profit ratio: 15.7 21.2 18.4 16.5 **14.7**; 7.4 8.7 7.8 7.1 **6.8** (2022–2026)
Asia	109 143 154 153 **158** (2022–2026)	190.4 249.6 273.9 286.2 **302.2** (2022–2026)	Operating profit / Operating profit ratio: 26.7 14.0 36.9 36.1 **40.0**; 14.0 5.6 13.5 12.6 **13.2** (2022–2026)
Europe & Africa	78 82 86 75 **76** (2022–2026)	96.2 108.2 131.2 118.1 **124.0** (2022–2026)	Operating profit / Operating profit ratio: 5.3 5.5 1.9 1.8 11.9 9.1 5.4 4.6 **3.7**; **3.1** (2022–2026)



Japan



Profit decreased due to quality-related cost despite the effects of new products and cost reduction

Since the Japan region serves as the headquarters that oversees the entire global operation, this structure tends to lead to an increase in fixed costs. Although we have maintained a production volume of at least 3 million units in recent years, the operating profit ratio has remained low due to factors such as upfront investments. While the launch of new products and cost reductions boosted profits in fiscal 2026, there was ultimately a decrease in profit due to the impact of recall-related expenses recorded in the Japan region, which bears design responsibility, in the year to March 2026. Going forward, we will work to prevent the recurrence of quality issues by reviewing the entire process. In addition, we will promote Value Time 2X (VT2X) by focusing on high value-added products, adopting cost-competitive components, shortening lead times, and improving operational efficiency, with the aim of enhancing our earning power.

Issues

- Increasing profitability

[External factors]
- Rising costs due to inflation
- Lower demand

[Internal factors]
- Rising capital investment and development costs (due to upfront investment phase)
- Low profitability in unit components

Priority actions

- Increasing added value during product changeovers
- Adopting cost-competitive parts
- Promotion of VT2X

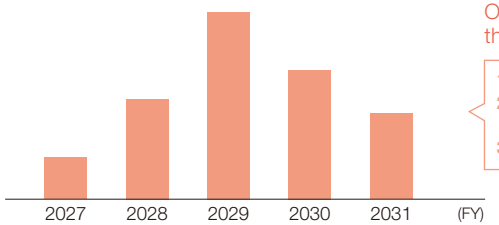
FY2026 themes

Maximizing added value **Minimizing cost**

Increasing added value during product changeovers

From fiscal 2027, several product changeovers are scheduled in the Japan region. We view this as an opportunity to improve profitability and are working to drive this forward. During a product changeover, we promote the adoption of high value-added items from our product roadmap to ensure strong profitability. We are also working to reduce manufacturing costs by optimizing suppliers and increasing in-house production for each product, as well as by reducing the number of components and streamlining product types through standardization.

Trend in the number of vehicle models with a model changeover



Opportunity to improve profits through numerous changeover models

1. Adoption of product roadmap items
2. Activities to strengthen competitiveness by product category
3. 33% reduction in component types

Minimizing cost

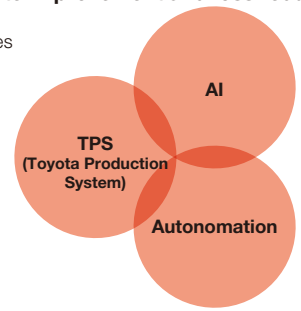
Reducing processing and logistics costs; and reforming fixed costs

We aim to reduce processing costs through process innovations that integrate TPS, autonomation, and AI, as well as through rigorous loss mitigation achieved by continuously implementing on-site improvements. We also plan to open a new logistics relay hub (in Ikoma-cho, Toyota City, Aichi Prefecture), which will enable us to overhaul our pickup logistics, reduce logistics costs by at least 10% compared to pre-opening levels, and help alleviate the driver shortage. In addition, to reduce fixed costs, we will promote cost minimization by improving efficiency through the active use of AI in administrative and support divisions, and by reviewing our business operations.

Measures that lead to on-site improvement and loss reduction

- Reform of production processes



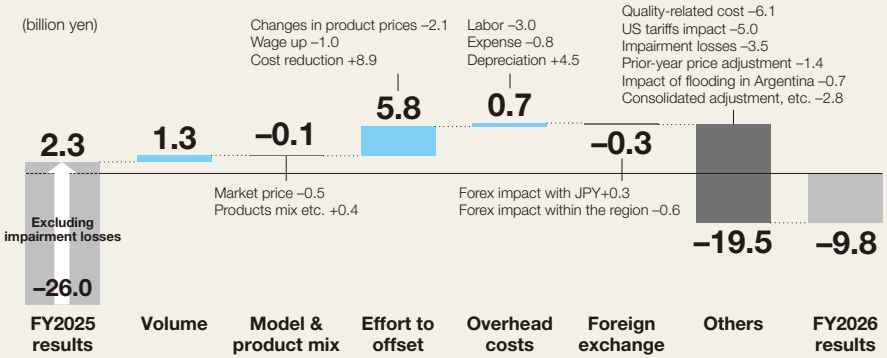


- Reform of in-house logistics



Regional overview

The Americas



Profit decreased due to quality-related costs and additional US tariffs, despite a smaller operating loss thanks to cost reductions and volume increase

In the Americas region, improving the profitability of unprofitable sites, primarily in North America, is a key challenge. We made breaking free from our low-profit structure our top priority, and launched the Americas Region Support Department in fiscal 2025 to begin laying the groundwork for improving profitability. In fiscal 2026, we expanded our activities, and with a focus on Toyota Boshoku Indiana (TBIN), we have been implementing initiatives that directly contribute to increasing marginal profit. At the same time, we are starting to promote autonomation while eliminating redundancies and achieving standardization in support divisions in preparation for structural reforms from fiscal 2027 onward. Although these factors led to a narrowing of the operating loss, we were unable to fully offset the impact of quality-related costs and additional US tariffs, resulting in a decline in profit. From fiscal 2027, we will promote sales expansion and smart factories, among other initiatives, and will press forward with reforms to build a profit-generating structure.

Issues

- Reforming the earning structure of unprofitable sites

[External factors]
- Rising costs due to inflation

[Internal factors]
- Production inefficiencies due to labor shortages and higher turnover rates

Priority actions

- Promoting autonomation on the production floor
- Streamlining support divisions
- Increasing in-house production rates with new seat frames
- Launching full-scale smart factory operations

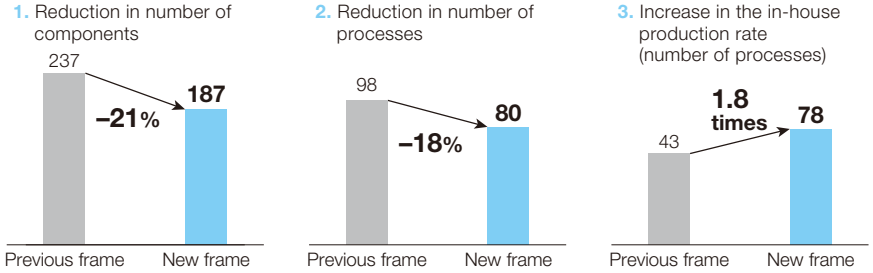
FY2026 themes

Maximizing added value **Full-scale rollout of a new seat frame**

From fiscal 2027 through fiscal 2031, we plan to begin production of a new seat frame for six vehicle models. With the new frame, we will reduce costs by cutting the number of components and production steps and increasing the in-house production rate, thereby strengthening our cost competitiveness. Building on this competitive strength, we will enhance our ability to propose competitive pricing and win orders, thereby expanding sales to new customers and driving reforms to build a structure capable of generating sustainable profits.

Achieving cost reductions and strengthening cost competitiveness

Production of seats featuring new seat frames for six vehicle models will begin from fiscal 2027 through fiscal 2031

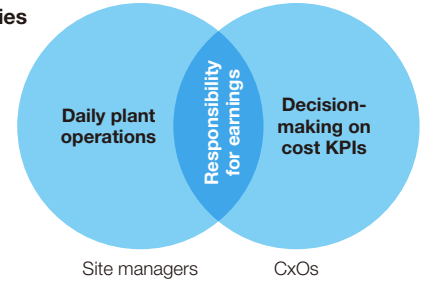


Minimizing cost **Promoting integrated management across the entire region**

Until now, a lack of mutual trust and understanding between headquarters and manufacturing sites has led to structural challenges, such as duplication of work and delays in standardization. To address this, we will work to accelerate decision-making by redefining roles and authorities and clarifying responsibilities. In addition, we will introduce a CxO structure and an integrated plant management system to harness the collective strength of the entire region and maximize our organizational capabilities.

Illustration of the scope of responsibilities for site managers and CxOs

By redefining roles and authorities, we aim to clarify responsibilities and accelerate decision-making, thereby maximizing the organizational strength of the entire region



China



Profit decreased due to volume decrease and changes in the products mix

China is positioned as a leading market in the automotive industry, and we recognize that gaining a strong reputation in this market is of the utmost importance. Currently, the trend of reduced production due to the market slowdown continues, and profits declined in fiscal 2026, partly due to changes in the model and product mix. We view this period as an opportunity to transform our business structure in preparation for the next growth phase, and are working to strengthen our management foundation through structural reforms and enhance our local R&D capabilities. Although sales and operating profit ratio are expected to trend downward through fiscal 2028, we will enhance our planning proposal capability for the entire automobile interior space by internalizing technologies in fields where we currently lack them, with the aim of expanding orders and improving profitability.

Issues

- Transforming our structure for the next growth phase

[External factors]
- An intensely competitive environment
- Trend toward reduced production due to market slowdown

[Internal factors]
- Expanding technologies in fields where we lack them

Priority actions

- Strengthening (speed up) local R&D capabilities
- Strengthening our proposal capability for the automobile interior space (local needs)

FY2026 themes

Maximizing added value

Strengthening partnerships in the control and software fields

We will enhance our planning proposal capability for the entire automobile interior space by internalizing technologies in fields where we currently lack them, with the aim of expanding orders and improving profitability. As part of this process, in June 2026 we launched Toyota Boshoku Huaqin (Shanghai) Automotive Electronics Co., Ltd. as a joint venture with Huaqin Technology Co., Ltd., a company with global operations in the development and manufacturing of smart devices. This joint venture will be responsible for strengthening our development capabilities and establishing a production system in the smart device field, and will work to advance the sophistication of our value-added offerings.

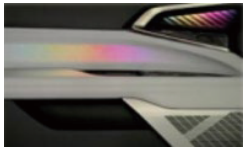
Control and Software Field

Build a platform for smart device design and manufacturing

- ECU



- Illumination



- Display



Maximizing added value

Internalization of technologies in the Noise and Vibration (NV) field

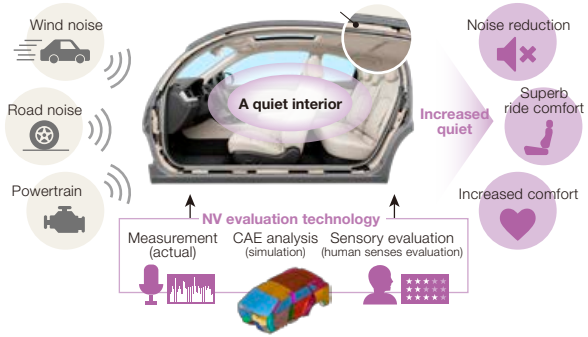
In the Chinese market, as electric vehicles become more widespread, wind noise, road noise, and vibration—which were previously less noticeable—have become more apparent, making NV performance even more critical. In light of these environmental changes, we are not limiting our efforts to individual interior components, but are instead focusing on NV development for the entire vehicle, including both the interior and exterior. To achieve this, we will move forward with consideration of alliances, aiming to finalize the details by the end of fiscal 2027, while also seeking to acquire NV core technology to develop low-cost, lightweight, and high-performance NV packages.

NV Field

By developing exterior vehicle components that contribute to improved NV performance, we can propose a package that ultimately reduces costs and also leads to weight reduction

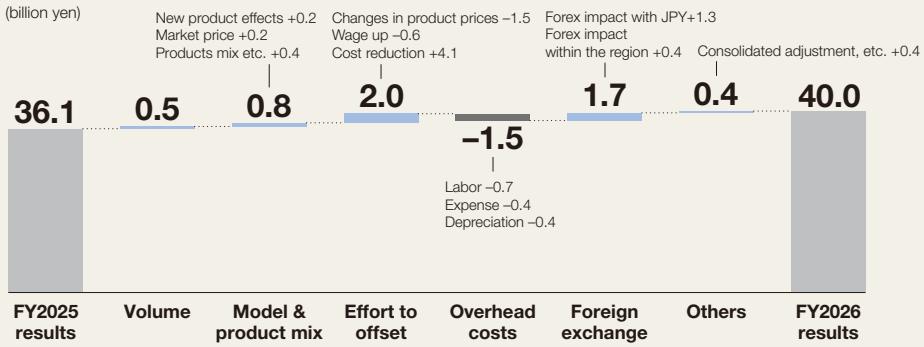
Suppressing all kinds of noise and vibration to achieve a quiet and comfortable automobile interior space

Sound insulation, sound absorption, and vibration damping technology



Regional overview

Asia



Profit increased due to volume increase and cost reduction despite an increase in overhead costs

The Asian region is one where the growth potential of markets like India coexists with the threat posed by Chinese suppliers. Although there were factors that could have led to a decline in profits in fiscal 2026, such as an increase in various costs, profits rose due to the effects of volume increase and cost reduction in India. Production volume is expected to increase about 1.3-fold by 2030, with production growth in India continuing to be particularly significant. On the other hand, while volume growth is expected to be limited outside of India, a gradual increase is anticipated. Under these circumstances, it is expected that Chinese OEMs will gain a stronger foothold as electrification progresses. With this in mind, we will pursue a two-pronged strategy focused on expanding our business in India while strengthening our MONOZUKURI (manufacturing) competitiveness.

Issues

- Strengthening cost competitiveness

[External factors]
- Cost competition with components manufacturers in China and India

[Internal factors]
- Decreasing competitiveness of Japanese brands

Priority actions

- Consolidating processes and improving equipment productivity
- Expanding orders and promoting localization in India

FY2026 themes

Maximizing added value

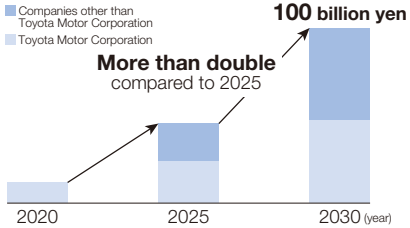
Capitalizing on growth in the Indian market to expand our business

The automotive market in India is expected to expand through 2030. To ensure we capitalize on this growth, we have launched the India Challenge 1000, which aims to achieve revenue of 100 billion yen by 2030. While continuing to develop products for the Indian market, we will work to strengthen our competitiveness by promoting local procurement and local production, with the aim of expanding our business. In addition, while working to increase orders in the northern and western regions, we will address the need to boost production capacity in the southern region and strengthen our efforts to localize procurement of electrified products.

Capitalizing on growth markets to expand our business

Strengthening R&D capabilities tailored to the Indian market × Enhancing competitiveness by promoting localized procurement

2030 revenue target



Northern region
- Expanding production capacity aligned with Suzuki's growth
- Expanding orders through product proposals

Western region
- Responding to Toyota's expansion into western India
- Expanding orders from Indian OEMs

Southern region
- Expanding production capacity aligned with Toyota's growth
- Expanding business through localization of electrified products

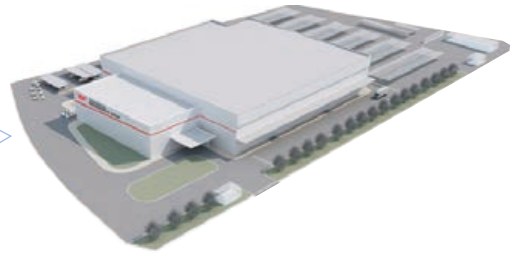
Maximizing added value **Minimizing cost**

Strengthening local on-site capabilities

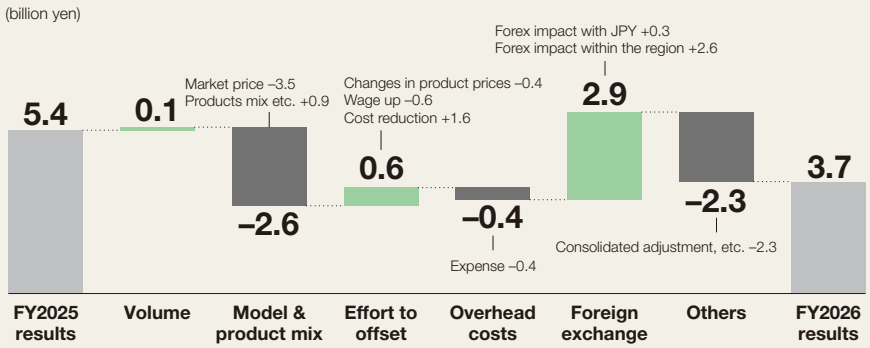
We will strengthen our local capabilities in the region by implementing tiered, specialized training and skills certification programs. Our aim is to raise the overall level of expertise across Asia using ASIA Master trainers, who train technical trainers in each country, as the starting point. Through this, we will strengthen our production engineering, machinery, and maintenance capabilities—which are the sources of our competitiveness—and work to improve the overall process quality, the rate of equipment produced in-house, and equipment productivity. To ramp up these initiatives, in 2028 we plan to establish an Asia MONOZUKURI Innovation Center in Bangkok, Thailand.

Asia MONOZUKURI Innovation Center

- **Education**
  Developing skilled trainers in each country
- **Production engineering capabilities**
  Process reform and improved process completion levels
- **Tooling and equipment capabilities**
  Increasing in-house production of equipment and dies
- **Maintenance capabilities**
  Enhancing equipment productivity through reduced downtime



Europe & Africa



Profit decreased due to market prices despite foreign exchange impact and cost reduction

In Europe region, although electric vehicle demand slowed temporarily in 2024 due to reduced subsidies, signs of a recovery were evident in 2025. In the medium to long term, the market environment continues to be characterized by a shift toward electrification. Against this backdrop, Chinese manufacturers are gaining a stronger foothold, and competition is intensifying not only on price but also in terms of development speed and the battery sector. At the same time, due to price and infrastructure constraints, the importance of a multi-pathway approach—including HEVs—is being reaffirmed. In this competitive environment, profitability has become increasingly challenging, and although we made progress in streamlining operations in fiscal 2026, profits declined. Going forward, while maintaining the Toyota business as our foundation, we will focus on securing business from OEMs other than Toyota Motor Corporation and expanding our lineup of BEV-compatible products.

Issues

- Responding to environmental regulations and markets

[External factors]
- Strengthening environmental regulations

[Internal factors]
- Increasing supply chain complexity

Priority actions

- Secure OEM business other than Toyota Motor Corporation
- Expanding products to support the shift to electrification

FY2026 themes

Maximizing added value **Minimizing cost**

Expansion of our Poland site

In light of changes in the automotive market and the diversification of customer needs, we are strengthening our production structure in Poland. Through the construction of Toyota Boshoku Poland's second plant, we are working to expand our production capacity while laying the groundwork for future business growth. In addition, in fiscal 2026 the company made TBLE (Toyota Boshoku Legnica), which had been under the umbrella of Toyota Boshoku Europe, a wholly owned subsidiary. This enables faster decision-making and the optimal allocation of management resources, further strengthening our ability to execute strategies within our unit components business. Going forward, we will leverage our business foundation in Europe to expand sales of our own brand products, grow our aftermarket business, and strengthen sales to non-Toyota customers, thereby driving sustainable growth.



Aerial view of Plant No. 2 at Toyota Boshoku Poland



Groundbreaking ceremony

Maximizing added value

Strengthening competitiveness through compliance with environmental regulations

In Europe, regulations including the ELV* Regulation aimed at realizing a recycling-based society are being strengthened. In addition to lightweighting and adopting environmentally sound materials, we are promoting circular design practices such as the use of recycled materials, easy-to-disassemble designs, and a shift to mono-materials. We have also built a stable supply system for eco-friendly materials, such as recycled and bio-derived materials, and have put in place an integrated system incorporating everything from material procurement to product design and production. Through this, we aim to turn compliance with environmental regulations into a competitive advantage and expand our business with European OEMs.

Product adaptation in anticipation of environmental regulations

Aiming to turn compliance with environmental regulations into a competitive advantage and expand business with European OEMs

Circular design	+	Lightweighting	+	Utilize eco-friendly materials
● Design for the use of recycled materials ● Easy-to-disassemble design ● Mono-materialization		● Adopt lightweight materials ● Reduce materials usage ● Achieve a balance with safety		● Develop recycled and bio-derived materials ● Ensure quality ● Build a procurement structure

* End-of-life vehicle

Q5

Where should we maximize our limited management resources to enhance corporate value?



Section 5

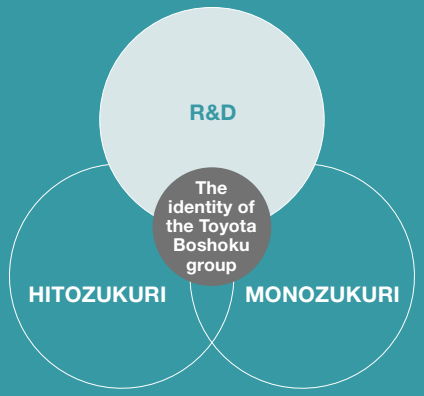
Enhancing management resources to support competitive advantage

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The identity of the Toyota Boshoku group

R&D

Technology closely aligned with the user's five senses



Message from the CTO



Hiroki Tsunoda
Segment Chief, Technical Management Segment
Segment Chief, Unit Components Business Segment
In charge of Research & Development Unit
Chief Technology Officer
Director, Operating Officer

Particular focus on the fields of "sound, light, and heat" to enhance our R&D capabilities for increasingly sophisticated and diverse automobile interior spaces

We are aiming to be the Interior Space Creator in order to become a sustainable, leading global company through the enhancement of corporate value.

The automotive industry is projected to see significant growth in the luxury and premium vehicle market due to the widespread adoption of electric vehicles (EVs) and autonomous vehicles. At the same time, we believe that as expectations for advanced infotainment, personalization, and customization continue to rise, the value placed on a comfortable automobile interior space will also further deepen.

To meet these market expectations, it is necessary to address the increasingly sophisticated and diverse values associated with the automobile interior space. We see it as our mission to become a company that combines a planning & proposals capability for the entire mobility interior space with the R&D capabilities to turn that into reality, planning and proposing integrated seating and interior systems from the vehicle planning stage, and delivering new spatial value that exceeds customer expectations.

With the goal of becoming the Interior Space Creator, we fundamentally revised our R&D structure in April 2025 and launched a dedicated planning organization. In addition, we are working to improve our planning & proposals capability by advancing our research and planning processes, enhancing our database infrastructure, and strengthening our packaging capabilities.

This will enable us to establish a structure for transitioning from the conventional solution-oriented process to a proposal-oriented process, allowing us to accurately identify customer needs at the market research and product planning stages, and develop proposals to a very high standard.

To provide new spatial value that exceeds our customers' expectations, we are incorporating high value-added items into our product roadmap and driving their development.

With regard to seats, our mainstay product, we are working to make them both thinner and lighter.

Thinner designs, which maximize and make the most of the limited automobile interior space, and lighter weight, which contributes to fuel or electric efficiency, are crucial to providing a comfortable cabin space, and we believe these are strengths that set the Toyota Boshoku group apart from its competitors.

In fiscal 2027, we are promoting the acquisition of technologies in three fields—"sound" (including interior NV performance and infotainment), "light" (including cabin ambiance and illumination), and "heat" (including heat management)—while also placing a strong emphasis on the field of intelligent systems, which encompasses software and control technologies for the automobile interior space.

Currently, in addition to our existing hardware including seats and interior & exterior products, we have also begun expanding into new fields such as control systems and software, and in fiscal 2027 we are focusing on developing new products based on our product roadmap. Also, to support a diverse range of powertrains (multi-pathway approach), we will actively promote development in the fields of hydrogen power systems and lithium-ion batteries, from the elemental technologies through to commercialization. By integrating and combining these products, we aim to increase added value and realize our goal of becoming the Interior Space Creator and realizing a multi-pathway approach.

Furthermore, to strengthen the foundation of our future R&D capabilities, we will pursue highly efficient development through the use of automated design tools, AI-powered automated design, and innovative development methods. We are moving forward with initiatives to train AI using the insights, design expertise, and evaluation data we have accumulated over the years, and to utilize AI in an interactive manner. We aim to employ AI in a way that allows development engineers to create better products through interaction with AI tools, while also fostering their own personal growth.

Capital (strength) / Issues and measures

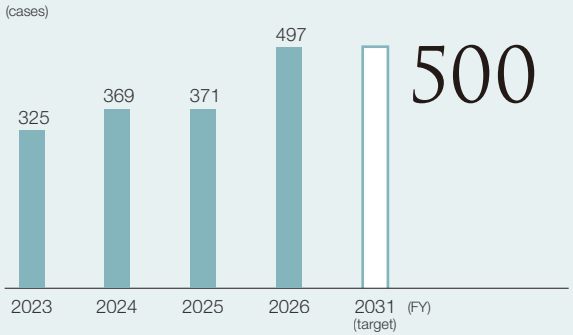
Capital (strength)		Connection to ISC	Recognition of issues / Required strengths	Specific measures / Activities
Global development system		Identify the needs of each region and OEM, and respond through local development	• Increase recognition among vehicle manufacturers and other customers by strengthening our planning & proposals capability for the entire mobility interior space • Further improve R&D capability in response to changes in the environment • Strengthen governance in relation to quality • Strengthen the R&D system in each region (for self-reliance)	• Continuously create product roadmap items and clarify the items to focus on • Clarify and acquire the necessary R&D resources • Review the R&D structure (separation of the Testing & Evaluation Sector from the Development & Design Sector), and establish mechanisms/systems to prevent misconduct • Identify and expand the R&D capabilities required in each region • Secure R&D resources for target OEMs in each region
Planning & proposals and R&D for the entire mobility interior space		Provide new spatial value exceeding customer expectations	• Strengthen our planning & proposals capability for the entire mobility interior space (packaging and marketing capabilities) • Clarify the technologies to be internalized, aimed at expanding our product fields • Seek external partnerships and collaborations	• Establish a marketing and planning system • Choose whether to master technologies in-house or acquire through collaboration with other companies in order to internalize technologies • Promote external cooperation/collaboration and clarify and share roles with a focus on the Toyota Group
Intellectual property strategy/system/structure		Provide new spatial value exceeding customer expectations	• Strengthen and develop intellectual property for existing products and technologies, and explore the intellectual property that will be needed in the future • Strengthen the system/structure of IP strategy activities • Create new value through external collaboration	• Build a patent portfolio of products and technologies based on the product roadmap • Energize strategic activities through the participation of development and technical personnel in IP-dedicated organizations • Identify R&D opportunities and develop strategies for alliances, collaboration with CVCs, etc., utilizing IP landscaping[1]
Rapid response to changes in the environment	**Multi-pathway**	Provide mobility interior space value that supports all forms of mobility	• Develop unit components that contribute to reducing GHG emissions and promoting a hydrogen society • Create and accelerate the development of advanced technological items specific to the BEV interior space	• Improve new product R&D capability and competitiveness by leveraging core technologies developed in existing businesses • Make new proposals for advanced technological items and promote development
	Carbon neutrality, circular economy	Provide environmentally sound mobility space value	• Establish methods to achieve a 30% reduction in GHG emissions in product materials by 2030 (compared to FY2019) • Establish methods to achieve the 2030 recycled material adoption rate target for product materials • Establish methods to achieve carbon neutrality and a circular economy in product materials by 2050 • Continuously create product roadmap items and clarify the items to focus on • Clarify and acquire the necessary R&D resources • Review the R&D structure (separation of the Testing & Evaluation Sector from the Development & Design Sector), and establish mechanisms/systems to prevent misconduct • Secure R&D resources for target OEMs in each region	• Reduce the volume of materials used in products (lightweighting) • Implement R&D and product applications that utilize material recycling and bio-derived materials • Develop products that are easy to recycle (easy-to-disassemble structure, unification of materials) • Regenerate difficult-to-recycle materials and apply them to products by acquiring chemical recycling technology • Engage in industry-government-academia collaboration to secure PCR[2]/ELV materials

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

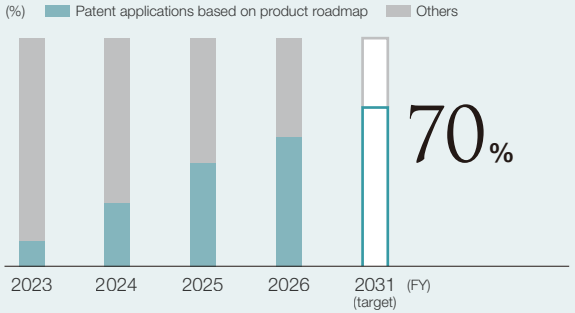
IP strategies

Established KPI

Quantity: Number of patent applications



Quality: Proportion of patent applications based on product roadmap



We view intellectual property (IP) as a critical management foundation for our future business growth and competitive advantage, and promote IP activities not merely as a means of acquiring rights, but as value-creation activities aligned with our business strategy and product roadmap. To measure that progress, we have established KPIs that address both "quantity" and "quality."

As a quantitative KPI, we have set a target of 500 patent applications per year by fiscal 2031 in order to continuously build up the technological assets necessary for business growth. Through ongoing patent filing activities, we are working to strengthen our IP foundation, not only to protect our proprietary technologies, but also to secure future business opportunities and differentiate ourselves from our competitors.

As a quality KPI, meanwhile, we have set a goal of increasing the proportion of patent applications based on our product roadmap to 70% by fiscal 2031, prioritizing alignment with our business strategy. By focusing limited IP investments on priority fields, we maximize the return on investment, and we are promoting IP activities that lead to the creation of business value, rather than simply increasing the number of applications. In particular, with regard to our core business technologies, we are building a multi-layered patent portfolio that combines basic patents, improvement patents, and peripheral patents in order to strengthen our competitive advantage.

The number of patent applications filed in fiscal 2026 was 497, representing steady progress toward our fiscal 2031 target, and we are steadily accumulating the IP assets that support business growth. Additionally, the proportion of patent applications based on product roadmap reached 57% in fiscal 2026, and we are steadily expanding our competitive advantage through investment in intellectual property.

Going forward, we will continue to promote IP investments aligned with our product roadmap. By pursuing a two-pronged approach of expanding our IP foundation through "quantity" while strengthening alignment with our business strategy through "quality," we are aiming to enhance added value and deepen differentiation in our priority fields, thereby achieving sustainable growth in corporate value through intellectual property.

Examples of activities

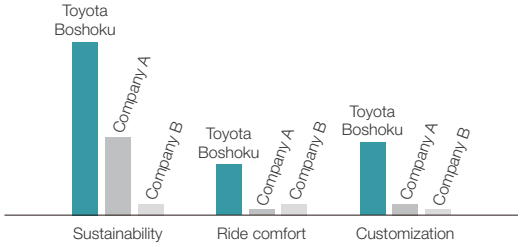
Multi-functional block seat "TBlocks" (P.42–43)

The multi-functional block seat "TBlocks" is one of our key development themes. It is a product designed to create new value in mobility interior spaces by enhancing comfort and reducing environmental impact, in addition to offering the flexibility for customization according to user preferences and applications. We incorporated an IP strategy from the early stages of development, and are actively filing patent applications with a focus on three key areas: sustainability, ride comfort, and customization.

In particular, in the area of sustainability, we have established a strong patent position relative to our competitors, and in the customization area, we are pursuing an IP strategy with an eye toward future functional expansion and the creation of new customer value. In addition, we have accumulated intellectual property related to technologies for ride comfort, one of our core strengths, and have built a patent portfolio that covers everything from fundamental to applied technologies.

Going forward, we will continue to promote IP activities from the dual perspectives of ride comfort and new customer value creation, with the aim of further strengthening the competitive advantage of TBlocks.

Comparison with competitor patent applications



*Toyota Boshoku survey

IP strategies

Strengthening IP competitiveness to realize the Interior Space Creator (ISC) concept

To become the ISC, which is our desired status for 2030, we are transforming ourselves from a company that simply provides products into one that creates spatial value in the realm of mobility. We believe that, in order to support this transformation, it is essential not only to develop R&D capabilities, but also to strengthen our IP competitiveness so that we can turn the fruits of our R&D into competitive advantage.

Currently, we view intellectual property not merely as a means of protecting rights, but as a critical business resource that supports the implementation of our business and management strategies. For this reason, we are promoting market, technology, and competitive environment analyses that are aligned with our product roadmap and leverage the IP landscape, and are advancing initiatives to utilize intellectual property to realize our business strategy. In addition, we are working to strengthen value creation through intellectual property by making strategic IP investments in key business fields and through collaborative efforts with our technical and operational divisions.

These initiatives represent an evolution of our IP activities, which until 2022 had focused primarily on investigating third-party patents, patent clearance, filing patent applications, and obtaining patent rights. As the business environment has changed and the value we provide to customers has broadened from products to experiences and spaces, since 2023 we have formalized the IP function as a dedicated division and strengthened the alignment between our IP investments and business strategy, thereby evolving our activities to leverage intellectual property as a means of enhancing our competitive edge.

Going forward, to further advance intellectual property as a core function of corporate value creation, we will promote the expansion of our IP portfolio, the visualization of investment returns, human resource development, and the utilization of AI in an integrated manner. By leveraging these as sources of competitive advantage that support the realization of the ISC, we will contribute to the sustainable enhancement of corporate value.

Main developments in intellectual property and intangible assets, and IP activity timeline

		Through 2022	From 2023 onward	From 2026 onward
External developments		• Revision of the Corporate Governance Code (CGC) • *Intellectual Property & Intangible Assets Governance Guidelines Ver 1.0*	• *Intellectual Property & Intangible Assets Governance Guidelines Ver 2.0*	• Revision of the CGC
Internal developments		• Establishment of the ESG KPI and progress management	• Launch of the Intellectual Property Strategy Division • Regular reporting to the Board of Directors, CGC compliance • Management of development through the product roadmap	• Expansion of capabilities/products to realize the ISC • Strengthening of global sales capability
IP activities	Intellectual property	**Activities focused on third-party patent clearance and rights protection** • Patent clearance • Patent filing and obtaining rights	**IP strategy that supports technology** • Alignment with the product roadmap • Utilization of IP landscaping • Framework for value creation activities (strengthen core technologies, create new value)	**IP strategy that supports business operations** • Expanding the IP portfolio to achieve the ISC • Open–closed strategy
	IP investment	**Case-by-case investment** • Investing on a case-by-case basis	**Business-aligned investment** • Strengthening business competitiveness through IP investment (business integration with Aisin and Aisin Shiroki) • Collaborating with the Corporate Planning and Business Strategy divisions	**Value creation investment** • Evaluating returns on IP investment
	Human capital	**Specialist human resources** • Developing specialist human resources focused on intellectual property	**Creative human resources** • Developing creative human resources • Acquiring facilitation skills	**IP management talent** • Developing highly skilled human resources • Developing talent with knowledge beyond intellectual property • Developing talent that can utilize AI

Message



Hiromi Suzumura
Deputy Segment Chief, Technical Management Segment

We view intellectual property as a core asset for creating corporate value, and are working to strengthen our IP activities as an integral part of our business strategy.

In addition to advancing our strategic initiatives through regular reports to the Board of Directors and R&D Segment Planning Meeting, we have been promoting the use of AI and DX since fiscal 2026. Beyond patent applications, we are utilizing IP landscape analysis to identify future trends and create new business value. Through these initiatives, our IP activities are steadily evolving from a traditional focus on acquiring rights to a value-creation approach aligned with our business strategy, with the goal of realizing intellectual property that contributes to establishing our competitive advantage.

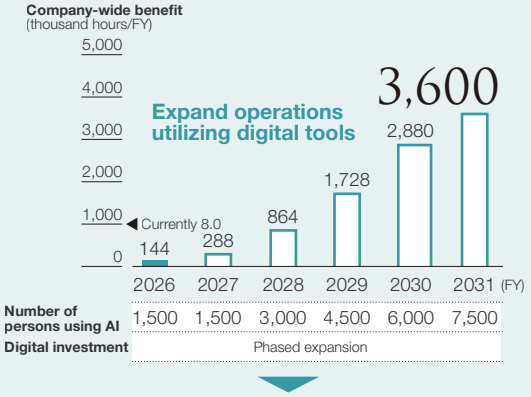
In addition, we are working to enhance the transparency of our intellectual property and intangible assets, while also striving to improve the quality of our disclosures and increase management transparency in line with the spirit of the Corporate Governance Code.

Going forward, we will continue to strengthen our IP foundation in unison with the development of human resources, thereby contributing to the creation of value in the mobility interior space and the sustainable enhancement of corporate value.

DX at the Toyota Boshoku group

Established KPI

Free up 40 hours per person per month by FY2031



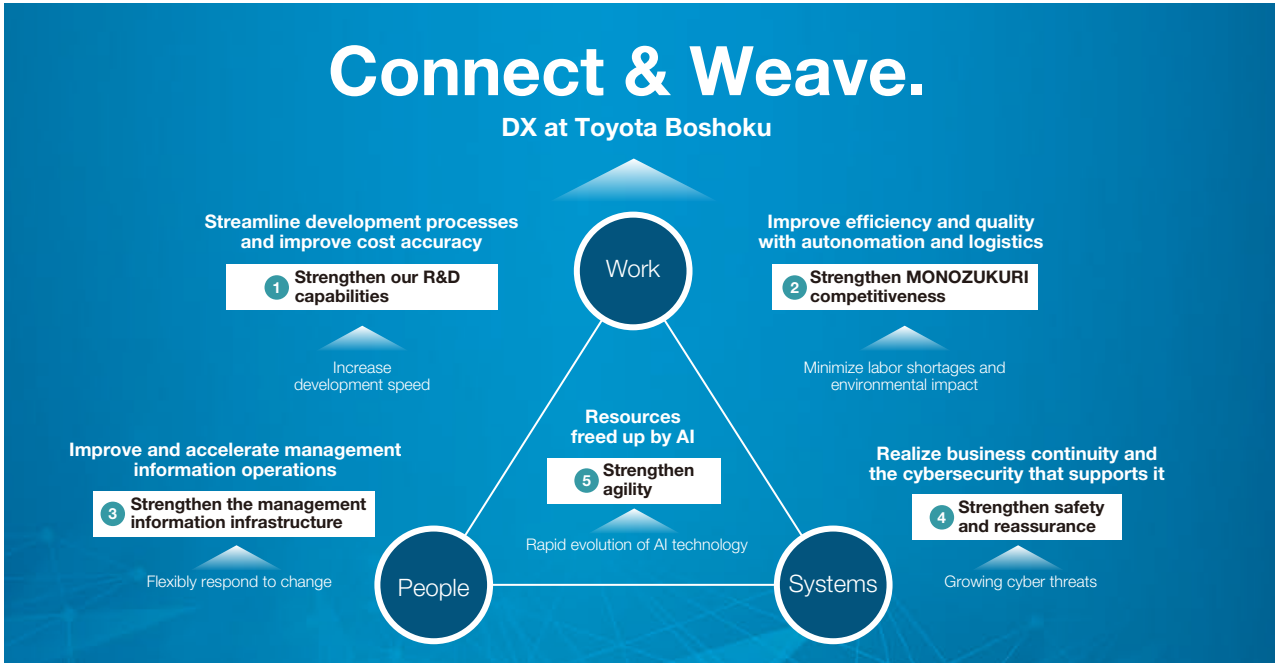
Shift the freed-up resources to value-added tasks

Basic Approach

In April 2021, we established the position of Chief Digital Officer (CDO) and built a DX promotion framework under the DX & IT Promotion Segment. To achieve the goals of our 2030 Medium-Term Business Plan, we have launched the Value Time 2X (VT2X) initiative and aim to leverage DX to double our business speed. We are working to significantly reduce lead times at each level: decision-making, operations, and the frontlines.

Initiatives to achieve double the business speed

The true essence of efficiency gains achieved through AI lies in redirecting the resources freed up by AI toward the creation of new value. By combining the intelligence of those working on the frontlines with AI to evolve our business processes, we will not only achieve our KPI but also generate results twice as fast with half the resources, thereby creating the driving force to take on new growth fields and foster innovation.



Related initiatives

1 Strengthen our R&D capabilities
—Contributing to shorter development lead times

We are leveraging AI in our Design Navigation System, a database of component standards and accumulated past case studies that enhances knowledge sharing, to improve the quality of designers' work and promote the autonomation of design processes. Through this, we aim to improve design efficiency and quality, with the goal of reducing development man-hours by 30%.

2 Strengthen MONOZUKURI competitiveness
—Contributing to shorter manufacturing lead times

With "the power of connection" at the core, we are transforming our business processes to enable autonomous, cross-divisional collaboration linking design, production engineering, procurement, manufacturing, logistics, and cost management, centered around the bill of materials.

This will help to reduce lead times for design changes and materials procurement.

3 Strengthen the management information infrastructure
—Contributing to shorter lead times for management decisions

Timely and swift management decisions are supported by visualizing financial and non-financial information in real time and integrating data such as monthly financial results, product-specific profit and loss, and CO_2 emissions. (P.48)

4 Strengthen safety and reassurance
—Contributing to strengthening cybersecurity and protection against data breaches

In response to increasingly sophisticated cyberattacks, we continue to implement defensive measures while enhancing our detection, response, and recovery capabilities. In the event of an incident, we strive to contain it and restore operations promptly to minimize business impact. In addition to system-based measures, we work to strengthen information security and business continuity by raising security awareness through ongoing training, drills, and awareness activities.

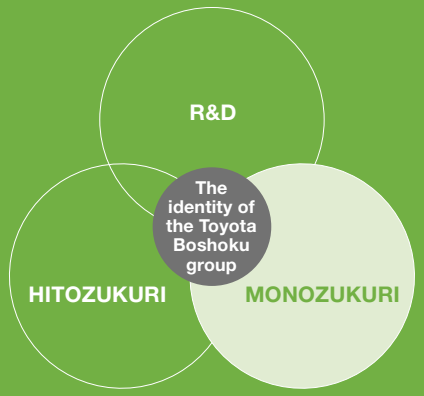
5 Strengthen agility
—Contributing to reducing lead times in daily operations

We are promoting business process reforms based on generative AI, led by each division general manager. AI utilization has risen from 40% the previous year to 76%, and use cases have expanded from 1,500 to 9,000, demonstrating steady progress in redesigning business processes with AI as a core component.

The identity of the Toyota Boshoku group

MONOZUKURI

End-to-end supply capability through lean production and JIS



Message from the CMO



Norimichi Adachi
Chief Manufacturing Officer
Director, Operating Officer

With our on-site capabilities as the starting point, we are promoting transformation into value-creating MONOZUKURI

Competition in the automotive industry is intensifying globally, driven not only by changes in market structure centered on electrification, but also by the rise of Chinese OEMs, with low-cost, high-performance products flooding the market. Against this backdrop, the environment surrounding the manufacturing frontlines is also changing rapidly, and it is no longer possible to survive using conventional manufacturing techniques. We believe that no matter how excellent a concept or technology is, we will not be able to meet our customers' needs without realizing it on the ground. Therefore, we will need to create new value by identifying changes in market needs and evolving our manufacturing methods based on insights from the frontlines. We recognize that without these initiatives, it will be difficult for us to achieve our goal of becoming the Interior Space Creator.

To date, we have achieved stable global supply through our on-site capabilities rooted in the Toyota Production System (TPS). What's needed now is not whether we can actually make something, but whether we can create value. Production is not merely about reducing costs; it is also about creating the value that customers seek—the excitement of the mobility experience and the satisfaction of wanting to stay with that experience—and the crucial point is how easily products can be manufactured and mass-produced. As a specific initiative aimed at achieving the goals of our 2030 Medium-Term Business Plan, we have been implementing the Value Time 2X (VT2X) initiative since fiscal 2026, based on the concept of doubling value added per hour. Rather than simply focusing on production efficiency, this initiative involves using the capacity freed up through improvements to create new value. We are driving this initiative forward not only on the manufacturing floor, but also in administrative and support divisions. We will remain unwavering in our commitment to thoroughly eliminating waste, which is the very foundation of MONOZUKURI. And to further enhance our cost-competitiveness, we will work to innovate our processes through autonomation and AI.

Additionally, at our new plant (located in Ikoma-cho, Toyota City, Aichi Prefecture), which is scheduled to begin operations in 2029, we are working to create a next-generation facility based on the concept of "harmony between people, the environment, and productivity," where everyone can work comfortably and achieve high production efficiency while reducing our environmental impact. Specifically, we will introduce processes designed for ease of working, such as barrier-free processes that allow wheelchair users to work comfortably, and processes based on diversity and inclusion that accommodate company members who work reduced hours. Furthermore, by utilizing autonomation technology to eliminate heavy lifting and excessive walking within in-house logistics, and by establishing assembly processes where humans and robots work side by side, we aim to address the future decline in the workforce and improve profitability. In addition, we will leverage DX to centralize information related to production activities and conduct timely analyses of the causes of production line stoppages. This will enable us to steadily generate results such as the autonomation of data collection and organization, an increase in the speed of improvements, and the establishment of product quality standards.

We will continue to draw on insights from the frontlines, combining the steady accumulation of straightforward improvements based on TPS with autonomation and DX, as we strive to create user-friendly processes where every member of our diverse human resources can demonstrate their abilities to the full. Furthermore, keeping in mind one of the Principles of Toyoda—"Always be studious and creative, striving to stay ahead of the times"—we will transform our operations and create new product value. By surpassing our competitors in manufacturing, we will be able to bring value to the mobility interior space. We believe that these cumulative efforts will lead to the realization of our goal to be the Interior Space Creator.

Capital (strength) / Issues and measures

Capital (strength)	Connection to ISC	Recognition of issues / Required strengths	Specific measures / Activities
Global production structure	● Establish a production system designed for ease of manufacturing that ensures consistent quality across all locations	● Formulate a production system responsive to changing conditions and a corporate structure that ensures profitability ● Establish a competitive next-generation manufacturing system that is trusted and chosen by our customers	● Establish a flexible production system capable of responding to increased production volumes from customers ● Accelerate local procurement globally ● Transform Japan and the Americas into sustainable profit-making regions
On-site capabilities supporting MONOZUKURI	● Enhance competitiveness through continuous improvement based on TPS ● Realize next-generation MONOZUKURI through process innovation utilizing autonomation and AI	● Integrate our production engineering and manufacturing technology capabilities ● Realize a “diversity line” in which diverse human resources are able to work side by side with robots ● Realize carbon neutral plants ● Enhance quality appraisals from end users ● Create a culture that prevents misconduct	● Master cutting-edge robotics technology ● Develop DX human resources ● Promote global exchanges in production engineering development ● Achieve *Karakuri Kaizen* certifications ● Make a shift to preventive quality control ● Create an open workplace where members have a high level of psychological safety
Logistics reform supporting end-to-end optimization	● Optimize the entire supply chain to deliver value to customers	● Realize next-generation logistics throughout the supply chain ● Streamline in-house logistics and address 2026 White Logistics	● Promote reform of pick-up logistics ● Systematize logistics operations ● Expand the modal shift (rail and ship transport) ● Implement autonomous mobile parts supply ● Improve the unloading area environment

Quality

Basic policy

Through the customer-first philosophy in the Principles of Toyoda—being unified to make contributions for the world and for people—and our MONOZUKURI-based strength cultivated over 100 years, the Toyota Boshoku group aims to become the Interior Space Creator for the realization of comfortable mobility interior space by 2030. We thereby aim to contribute to resolving social issues while expanding our product range and customer base. To this end, we are striving for thorough implementation of quality first and the development of human resources. It is our mission to always consider matters from the customer's perspective and position, to ensure safety and reassurance, and to provide customers with attractive and inspiring products and quality.

Human resources underpinning quality

We define Total Quality Management (TQM) as "activities to enhance the vitality of company members and organizations," and implement a TQM basic philosophy based on the pillars of customer first, continuous kaizen, and total participation, as stated in the Principles of Toyoda. In addition, through TQM we are changing the way we have been working and are strengthening the organization, process, and company members that form our management foundation, thereby striving to improve the operational quality of all work.

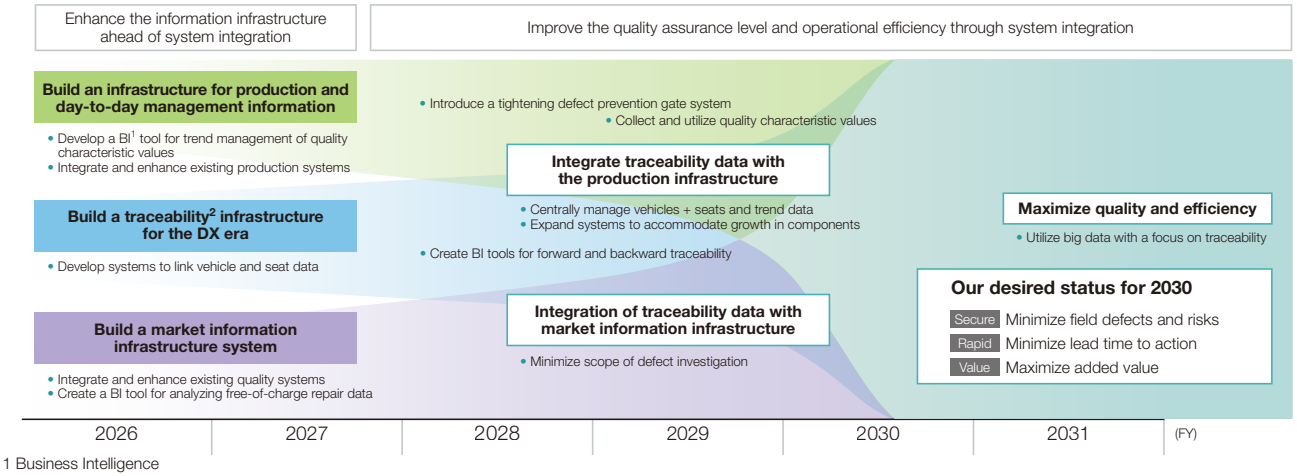
Governance structure of the Quality Segment

1. **Fact verification**
   Issues are identified through periodic interviews with company members, and an improvement cycle is implemented to identify and eliminate potential quality risks at an early stage.
2. **Creating a system and structure to prevent quality risks**
   The introduction of a system is being promoted to reduce human intervention in testing for certification work. In addition, through self-directed study activities on regulatory certification in cooperation with automakers, the aim is to review work processes and achieve standardization.
3. **Reforming employee awareness and workplace culture**
   Our quality-related risk prevention training and in-house Global Quality Learning Center (GQLC) draw on case studies from other companies as training materials to provide opportunities for company members to take ownership of quality and put this into practice.

DX Deployment and Promotion

Based on our DX promotion roadmap for quality assurance, we are preparing an information platform toward system coordination, and promoting activities with traceability at the core, aimed at maximizing quality and efficiency.

DX promotion roadmap for quality assurance



1 Business Intelligence
2 A system for identifying the causes of defects based on past production records and determining the extent of their impact on the market

Initiatives to prevent occurrence and recurrence of issues

Quality is an extremely important element underpinning company management. We believe recent issues resulted from key control items not being sufficiently communicated or recognized throughout downstream processes, and from inadequate initial part quality checks and process capability management for critical characteristics during the mass production prototype stage. In response, we are promoting an environment that enables correct judgments and swift responses by ensuring the feasibility of designs and facilities for mass production while understanding regional issues and challenges in the daily management of critical processes, thereby preventing occurrence and recurrence of issues.

Message from the CQO



Hideki Matsuura
Chief Quality Officer

As CQO, I take extremely seriously the March 2026 recall concerning the seat reclining mechanism. I am deeply aware that there was a hidden risk of oversight and insufficient judgment arising from our confidence in quality. Quality issues are not limited to the front line; they must be addressed by the entire organization. I will foster an open workplace culture in which information on abnormalities and issues is shared promptly and reliably with the relevant parties, enabling early detection and prevention.

We will also fundamentally review our quality assurance system across development, production preparation, and mass production. At the development stage, we will strengthen prevention through design and evaluation based on actual usage conditions. At the production preparation stage, we will strengthen our ability to build quality into products by ensuring alignment between process capabilities and standards. At the mass production stage, we will prevent the release of defective products by reinforcing daily management and abnormality detection. Through these measures, we will prevent recurrence.

I consider this experience an opportunity to transform our approach to quality and **embed a safety- and quality-first mindset throughout the organization, striving with all my might to restore trust.**

Suppliers

Basic policy

We view our suppliers as partners who share the responsibility of creating sustainable value, and we are committed to building a competitive supply chain through fair and transparent transactions based on mutual trust.

Building a sustainable supply chain together with our suppliers

Founded on relationships of trust with our suppliers, we are promoting efforts to strengthen safety, quality, production, and business continuity planning (BCP), and are also working together to address social issues. By sharing our Target and co-creating value while growing together, we are building a supply chain that is resilient to change and capable of sustainable growth.

Mutual learning activities with our suppliers

Amid a shrinking workforce and an ongoing shift away from manufacturing, we are promoting mutual learning activities with our suppliers to enhance the competitiveness of the overall supply chain and ensure a stable supply. Through Sunshine (Toyota Boshoku suppliers' association), we are engaged in information-sharing and problem-solving activities on the topics of safety, quality, and DX.

① Promoting autonomation and labor saving among suppliers

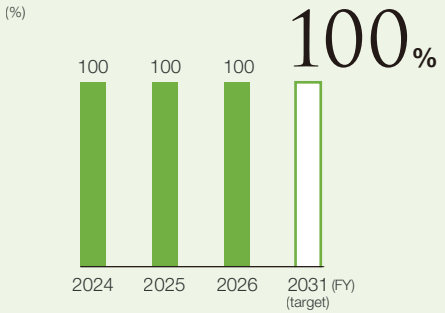
We are working to provide focused support to our priority suppliers while building systems with the goal of establishing self-reliant manufacturing competitiveness through autonomation and labor savings. As well as promoting process design premised on autonomation from the design stage, we are also seeking to develop standard models based on successful cases and to extend the benefits throughout the supply chain.

② Leveraging AI to enhance quality assurance capabilities

In inspection processes that have so far relied on humans, reducing the risk of oversight and improving assurance levels are key challenges. To address this, we are now rolling out AI-based image inspection systems to our suppliers and are providing them with operational support, having been an early adopter of these systems and verified their effectiveness.

Established KPI

Implementation of Supplier Satisfaction Survey: Deployment rate



Partnerships that support optimal transactions

We view our suppliers as partners with whom we create sustainable value together, and guided by the spirit of co-existence and co-prosperity, we are committed to ensuring fair and transparent business transactions. In accordance with the spirit of the Declaration of Partnership Building, we are working with our suppliers to build a sustainable supply chain by sharing our approach to matters including legal compliance, respect for human rights, and environmental responsibility through our Supplier Sustainability Guidelines and Green Purchasing Guidelines. In addition, we identify issues using a supplier satisfaction survey and are working to make improvements through dialogue. These initiatives help strengthen relationships of trust and lead to improved responsiveness when the business environment changes.

Furthermore, in accordance with the Whistleblower Protection Act, we are working to establish a system that makes it possible to consult with us and report concerns with confidence. Specifically, we have established a third-party consultation service and created a system through which we can be contacted directly regarding complaints, unfair treatment or other matters.

Through these initiatives, we are able to identify and correct issues at an early stage, while also deepening relationships of trust with our suppliers to promote fairness and transparency throughout the supply chain.

Respect for human rights through collaboration with suppliers

We consider respect for human rights in the supply chain to be a key priority, and we are promoting initiatives through the sharing of guidelines, self-assessments, and dialogue. Suppliers' self-assessments identified issues in relation to respect for and acceptance of diversity, and the prevention of harassment. In response, we held study sessions through Sunshine to help improve understanding of human rights due diligence, the employment of non-Japanese nationals, as well as human rights and harassment. This resulted in concrete initiatives including the formulation of a human rights policy by each company and the establishment of a consultation service.

Response to supply chain risks

Amid growing uncertainty in the supply chain due to geoeconomic risks and frequent natural disasters, strong partnerships with suppliers serve as the foundation for a stable supply and are also a source of competitiveness. As well as promoting local procurement in locations close to our customers' sites of production, we are aiming to mitigate risks arising from fluctuations in tariffs and logistics costs and from supply disruptions by strengthening our production and supply systems. Additionally, we are working to build a highly resilient production system that is not dependent on specific regions or procurement routes. For resources that are highly dependent on specific regions, such as rare earths and crude oil-derived materials, in light of rising geopolitical risks we are working closely with our suppliers to explore alternative materials and manufacturing methods and to secure multiple sources of supply. Through these measures, we are ensuring continuity of supply while working to increase the resilience of our supply chain. Furthermore, we also view cybersecurity as a critical issue for ensuring the stable operation of the entire supply chain, and we are committed to mitigating risks through information sharing with suppliers and individual consultations. Collectively, these initiatives are enhancing the resilience of the entire supply chain, which in turn results in a stable supply while both maintaining and improving our competitiveness.

Overview of environmental initiatives

Basic stance

In 2016, the Toyota Boshoku group formulated the **2050 Environmental Vision**, and we have been striving to conserve and preserve the global environment by working to reduce our environmental impact from various angles.

However, global environmental issues such as climate change, natural resource depletion, and the biodiversity crisis are becoming more serious as each year passes.

Against this backdrop, in order to further focus on solving environmental issues and contribute to the conservation and preservation of the global environment, we reviewed the Toyota Boshoku group's past activities and our future target, based on the Toyota Boshoku Basic Policy of Biodiversity formulated in 2011, and in July 2023 drew up three priority actions. We aim to further contribute to global environmental conservation by promoting these **three priority actions**: measures to prevent global warming in response to **climate change, resource circulation in response to the depletion of natural resources, and co-existence with nature in response to the biodiversity crisis**.

Additionally, with the formulation of the priority actions, we extended the scope of our activities and revised our Stretch Environmental Goals to Challenge 6. The whole group is working together to address environmental issues through our business activities and contribute to the realization of a sustainable global environment. Furthermore, aiming to realize the "2050 Environmental Vision," in September 2025 the Toyota Boshoku group announced the "**2030 Environmental Action Plan**" to be followed in the five years to 2030.

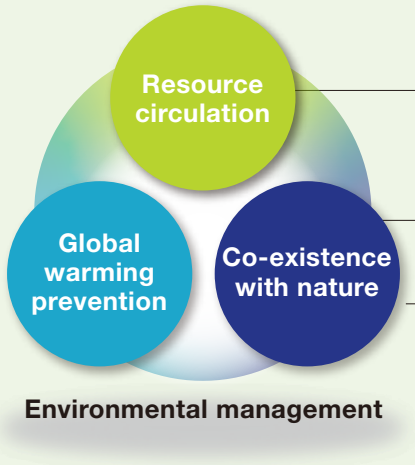
Target

2050 Environmental Vision

Vision

We will work together with all stakeholders with the aim of creating a sustainable global environment where children can lead their lives with a smile.

Priority actions



Implementation plan

Priority actions	Challenge 6 (2050 targets)	2025 Environmental Action Plan: Target (2021–2025)	2025 Environmental Action Plan: FY2026 results	2030 Environmental Action Plan: Target (2026–2030)
Global warming prevention	1 GHG Net-zero in the product life cycle			• Reduction of emissions over the product life cycle: 30% or more*
		CO_2 emissions in logistics: 14% reduction compared to FY2012	–16%	• CO_2 emissions in logistics: 30% reduction compared to FY2020
	2 GHG Net-zero in the plant	CO_2 emissions 25% reduction compared to FY2020	–49%	• CO_2 emissions 50% reduction compared to FY2020
		Adoption rate of renewable energy: 15%	46%	• Adoption rate of renewable energy: 50%
Resource circulation	3 Sustainable resource circulation			• Establishment of technology to use 30% recycled resin by 2030
	4 Waste minimization	Basic unit of waste emissions: 14% reduction compared to FY2012	–17%	• Basic unit of waste emissions: FY2020 or lower
Co-existence with nature	5 Water resource impact minimization	Basic unit of water withdrawal: 6% reduction compared to FY2014	–52%	• Basic unit of water withdrawal: 34% reduction compared to FY2020
				• Robust compliance with voluntary standards for water discharge quality
	6 Conservation and regeneration of natural capital			• Green space offset rate in business operations area 100%
		Number of trees planted: Cumulative total: 640,000	Cumulative total: 830,000	• Number of trees planted: 140,000 (Cumulative total: 900,000)

* For certain vehicle models scheduled to go into production in 2030 or later, comparison with the previous model of the same vehicle type

Initiatives to achieve the 2030 Environmental Action Plan

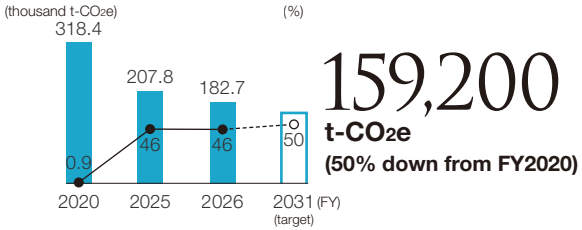
To achieve the targets set out in our 2030 Environmental Action Plan, we are establishing specific action items and moving forward with addressing environmental challenges. In light of the rapid social changes in recent years, we will refine our goals to make them more specific and effective, and steadily promote our initiatives.

Global warming prevention — GHG Net-zero in the plant

In pursuit of the GHG Net-Zero in the plant, as described in our 2050 Environmental Vision, we are promoting various environmental activities with the aim of reducing GHG emissions by 50% by the year 2030 (compared to FY2020 levels), and reducing GHG emissions by 100% by the year 2035.

Scope 1 and 2 reduction scenarios

Related targets: CO_2 emissions 50% reduction compared to FY2020
Adoption rate of renewable energy: 50%



Related initiatives

● **Energy conservation and renewable energy initiatives**

The Toyota Boshoku Group aims to **ensure a stable supply of energy with a low environmental impact, by combining a variety of approaches** such as installing solar panels and purchasing environmental credits for renewable energy generated outside the company. We have newly introduced an off-site PPA service at the Kariya Plant to promote the stable and continuous use of renewable energy. Furthermore, by supplying this plant with electricity from a solar power plant installed on the company's idle land in Aichi Prefecture, we are further strengthening our use of sustainable renewable energy. Additionally, in Türkiye we are expanding use of renewable energy through the deployment of mega-solar power.

On the production floor, meanwhile, we are striving to **achieve both energy savings and increased productivity through *Karakuri Kaizen* improvements that leverage gravity and existing power sources**. By steadily building on these initiatives both in and outside Japan, we are promoting the decarbonization of our plants and sustainable manufacturing on a global scale.

● **Achieving carbon neutrality at the Kariya Plant**

At the Kariya Plant, which serves as our global headquarters, we are **promoting efforts to achieve net-zero GHG emissions at the plant by 2050**. While **working to achieve net-zero Scope 2 emissions** through rigorous energy conservation and the adoption of renewable energy, **we have offset the** remaining Scope 1 emissions, such as those from city gas, **using J-Credits derived from forestry**.

This initiative is a pilot project that combines emission reduction and offsetting measures, with the aim of establishing emission management and operational processes. Going forward, we aim to **promote sustainable decarbonization management** based on the processes we have established.

● **Co-hosting a carbon neutral (CN) workshop for business partners**

In a joint collaboration with Aisin Corporation and SANGO Co., Ltd. (with the support of Toyota Motor Corporation), we held a workshop aimed at helping **our business partners identify their CN-related challenges and determine their priorities**. We will continue working to strengthen sustainability activities throughout the supply chain.

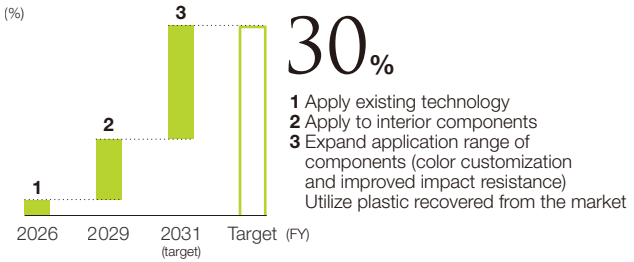
When the event was held in March 2026, approximately 140 people from 77 business partners took part. With the participation of senior management from each of our business partners, we were able to foster a better understanding of CN activities and help them recognize the need to promote them.

Resource circulation — Sustainable resource circulation

In recent years, reporting on the planned and actual amount of recycled materials used has also become mandatory in Japan, and an increasing number of companies in the automotive sector have set numerical targets for the use of recycled materials. In light of these trends, Toyota Boshoku is actively promoting the use of recycled materials from the perspective of sustainable resource utilization.

Projected percentage of recycled resin used in parts

Related targets: Establishment of technology to use 30% recycled resin by 2030



Related initiatives

We regard expanding the use of recycled resin as a key priority in our efforts to achieve a recycling-based society. The graph illustrates our progress made toward establishing the technology needed to achieve a 30% usage rate by 2030. In addition, to promote the phased application of this technology in mass production, we are also **exploring the use of post-consumer recycled plastics, which are generally considered difficult to utilize**, and on the next page we describe our specific initiatives. Through these activities, we are conducting technical verification to utilize general waste in automotive interior parts, **aiming to establish the technology by 2030 and achieve our goals**.

Initiatives to achieve the 2030 Environmental Action Plan

● **Technology development for the utilization of waste plastic from containers and packaging**

In March 2025, Toyota Boshoku entered into the Kameoka Future Creation Environmental Partnership Agreement with Kameoka City, in Kyoto Prefecture.

Having entered into this agreement, Toyota Boshoku is now working with Kameoka City on **testing of technology to utilize waste plastic collected by the city to make automotive parts**.

This initiative is being carried out in collaboration with Gomi no Gakkou Inc., Toyama Kankyo Seibi Co., Ltd., and Eikou Bussan Co., Ltd., with the goal of **establishing a circular economy model that effectively utilizes resources collected in the local community**.

Through this initiative, **we will contribute to the advancement of resource recycling and the reduction of waste in the local region, while also promoting product development through the expanded use of recycled materials**.

● **Technology development for the utilization of waste plastic from construction**

In March 2026, we signed an Agreement on Promoting the Application of Construction-Related Waste Plastics[1] in Automotive Parts with Ishizaka Inc.

This agreement aims to **collect and perform high-precision sorting of construction-related waste plastics,[1] which have traditionally been considered difficult to recycle, and to evaluate their potential for use in automotive parts**.

1 Construction-related waste plastics: Plastic waste generated from construction and demolition work, among other sources.





Santome Konjaku Mura, operated by Ishizaka Inc. and located in Miyoshi Town, Saitama Prefecture. A place where visitors can see and learn firsthand about a *satoyama* woodland, restored from a state of neglect caused by illegal dumping, which is integrated with a resource recycling plant.

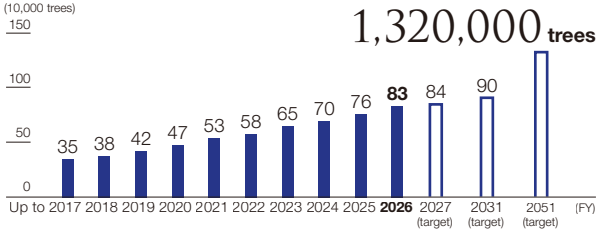
Co-existence with nature — Conservation and Regeneration of Natural Capital

The Toyota Boshoku group is working to protect biodiversity with a focus on forestation based on the Toyota Boshoku Basic Policy of Biodiversity. We are expanding this initiative to our group companies, local communities, and government agencies, with the aim of broadening our initiatives.

In addition, we strive to minimize the impact of our business activities on the natural environment, and we mitigate any residual impact through natural restoration. We are promoting initiatives that contribute to the enhancement of biodiversity value, including managing as green space an area equivalent to the land being used for business activities.

Cumulative number of trees planted by fiscal 2031

Related targets: Cumulative total 900,000



Related initiatives

● **Forest restoration on degraded land within an Indonesian national park**

On the island of Java, where Toyota Boshoku Indonesia is located, we have signed an agreement on the Comprehensive Land Restoration Project for Water and Soil Conservation, in collaboration with the Japan International Forestry Promotion and Cooperation Center (JIFPRO)[2] and the Soil and Water Conservation Society of Indonesia. Its aim is **to conserve soil, ensure a stable supply of water resources, restore forest ecosystems, and improve the lives of local residents**. The target area consists of steep slopes where limestone is exposed at the surface; with relatively low precipitation and patches of degraded land scattered throughout. The challenges are to restore vegetation, secure water resources, and prevent soil erosion. As part of this project, we are planting cajuput trees to **restore degraded land and conserve soil and water resources, while also contributing to improving the livelihoods of local residents through the production of essential oils**.

2 An organization authorized by the Cabinet Office for the purpose of promoting international forestry cooperation



● **Conservation of the natural environment throughout the Toyokawa River basin in Aichi Prefecture**

At our three plants located in Toyohashi City, Aichi Prefecture, we utilize water from the Toyokawa River system and benefit from this in our business operations. Until now, we have focused our efforts on water environment conservation primarily in downstream areas, such as through the recycling of industrial wastewater and the cleanup of tidal flats; however, in recent years, **the importance of managing natural capital on a watershed basis has grown**.

In light of these circumstances, **we will carry out forest restoration activities** in Shinshiro City, Aichi Prefecture, located in the upper reaches of the Toyokawa River system and home to watershed forests, **as a new initiative in the headwaters that support the water supply**.

Through this initiative, we aim to **restore and conserve the natural environment** by conducting forest management activities such as thinning and tree planting, thereby contributing to the achievement of the 2030 Environmental Action Plan's goal of "**100% green space offset rate[3] in business operations area.**"

3 An initiative to offset the impact of our business activities on the natural environment through the conservation and management of green spaces and biodiversity

Response to the TCFD

Toyota Boshoku group is working as one team to contribute to global environmental protection for the realization of a sustainable society, based on our Corporate Philosophy to “Promote corporate activities that help protect the global environment.” We are advancing disclosure of relevant information based on the frameworks of the Task Force on Climate-related Financial Disclosures (TCFD) and aim to contribute further to global environmental conservation.
For details, please refer to our website. https://www.toyota-boshoku.com/global/sustainability/environment/management/tcfd/

Impact assessment and results

We compiled the actions to address the identified risks and opportunities, and their single-year costs.

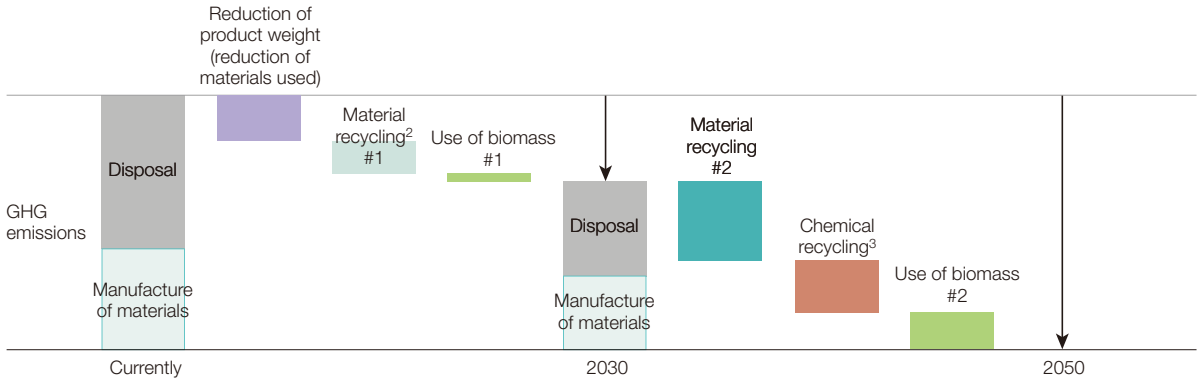
	Causes	Risks/Opportunities	Assessment	Actions	Response cost (FY2026)
Transition risks (1.5 and 2°C)	**Enhancement of climate change policies, including carbon pricing**	• Increase in procurement costs by introducing carbon prices, etc.	**Risk**	• Survey of suppliers (GHG emissions, efforts to reduce GHG emissions, etc.), Promotion of activities for setting GHG emission reduction targets • Support for suppliers (Sharing of energy saving cases, joint development of new materials and new methods, joint purchase of renewable energy, etc.)	–
		• Increase in operating costs due to the direct impact of the introduction of carbon prices or its indirect impact on energy prices	**Risk**	• Introduction of highly efficient equipment to promote further energy saving and promotion of the development of new methods • Promotion of the introduction of renewable energy • Optimization of logistics (Reduction of GHG emissions associated with transportation through the promotion of local production for local consumption)	**3.1 billion yen**
		• Increase in cost due to investment in energy saving and renewable energy for decarbonization	**Risk**	• Optimization of investment by introducing ICP (Internal Carbon Pricing)[1]	
	Enhancement of efforts to promote vehicle electrification	• Expansion of business in new fields through collaboration between Toyota group companies	**Opportunity**	• Expansion of new business domains and diversification of provided value	**1.0 billion yen**
		• Increase in demand for electrified products	**Opportunity**	• Further planning and development of electrified products	**2.7 billion yen**
	Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.)	• Decrease in sales due to lower demand for products with insufficient low-carbon technology	**Risk**	• Planning and development of products to further reduce carbon emissions • Planning and development of plant-derived products and lightweight products • Improvement of recyclability and promotion of simple disassembly design	**1.8 billion yen**
		• Increase in sales by developing low-carbon products • Increase in demand for plant-derived products and lightweight products • Enhancement of competitiveness by developing technology to improve recyclability	**Opportunity**		
Physical risks (4°C)	**Worsening of extreme weather, including heavy rain and subsequent flooding**	• Decrease in sales due to the impact of supply chain disruption on production	**Risk**	• Risk management using a system to manage the range of supplier impact • Selection of logistics routes that minimize the impact of disaster	–
		• Decrease in sales due to factory shutdown	**Risk**	• Enhancement of the BCP system (Creation of manuals and establishment of an information collection/sharing system)	**0.5 billion yen**

1 Assigning a price to CO_2 emissions generated by companies in the course of business

Key initiatives based on analysis results

We are promoting the reduction of GHG emissions throughout the product life cycle. In addition to reducing the weight of products, using plant-derived materials (biomass), and R&D for electrified products, we are working on improved recyclability. We will also work to reduce GHG emissions from the materials used in our products toward achieving carbon neutrality.

2 Reusing products as raw materials to produce new products
3 Chemical decomposition of used products and reuse as raw materials for new products



Response to the TNFD

We analyzed nature-related risks and opportunities, referring to the framework of the Taskforce on Nature-related Financial Disclosures (TNFD), to understand nature dependencies and impacts of our group business to further promote our three priority actions: global warming prevention in response to climate change, circular economy in response to the depletion of natural resources, and co-existence with nature in response to the biodiversity crisis.

For details, please refer to our website. https://www.toyota-boshoku.com/global/sustainability/environment/management/tnfd/

Analysis process

We conducted the analysis using the LEAP approach set out in the TNFD framework.

Locate	Evaluate	Assess	Prepare
Identify priority region	**Grasp dependencies and impacts**	**Assess risks and opportunities**	**Prepare action and disclosure**
We narrowed down priority region of direct operations based on TNFD five standards. (Conservation significance, Ecosystem integrity, Low integrity, Water stress, Nature dependencies and impacts)	We identified the key items of nature dependencies and impacts for each supply chain, including upstream, direct operations and downstream using the TNFD recommended tool such as ENCORE.	We identified and assessed risks and opportunities of each supply chain, including upstream, direct operations, and downstream based on identified dependencies and impacts by two factors: impact and potential.	We connect our group business strategy and action with identified risks and opportunities. Then we organized it. This time we disclosed the analyzed result.

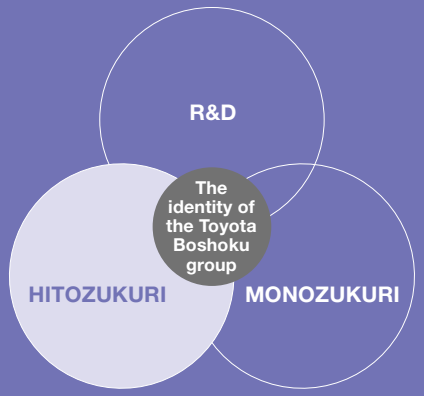
Analysis results

Causes	Impact stage	Classification	Risks/Opportunities	Actions
Increased importance of sustainable raw material procurement	**Purchasing**	**Risk**	• Increase in raw material procurement cost by legislation of raw material procurement step	• Development of products for improvement of recyclability and substitution of sustainable material
		Opportunity	• Improvement of product value by sustainable procurement	• Improvement of raw material traceability precision • Enhancement of raw material management by further tightening raw material-related requirements
Enhancement of nature-related policy	**Direct operation**	**Risk**	• Increase in operation cost by enhancement of Environmental legislation (Soil, Air, Water quality, Waste)	• Introduction of highly efficient equipment to promote environmental impact reduction and promotion of the development of new methods • Enhancement of organization for circular economy
		Opportunity	• Improvement of corporate value by water resources impact reduction	• Promotion of initiatives for further water resource impact reduction based on a model zero-wastewater plant that uses water recycling
Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.)	**Product demand**	**Risk**	• Decrease in demand by not being able to meet customer requirements related to the circular economy	• Development of products for improvement of recyclability and substitution of sustainable material
		Opportunity	• Increase in demand for plant-derived products and lightweight products • Enhancement of competitiveness by developing technology to improve recyclability	• Planning and development of plant-derived products and lightweight products • Improvement of recyclability and promotion of simple disassembly design
Worsening of extreme weather, including shortage of water and flooding	**Purchasing**	**Risk**	• Decrease in sales due to the impact of supply chain disruption on production	• Risk management using a system to manage the range of supplier impact • Selection of logistics routes that minimize the impact of disaster
	Direct operation		• Decrease in sales due to factory shutdown	• Enhancement of the BCP system (Creation of manuals and establishment of an information collection/sharing system)

The identity of the Toyota Boshoku group

HITOZUKURI

Human resources who flourish globally and organizational strength



Message from the CHRO



Tateaki Harada
Chief Human Resource Officer
Human Resources & General Administration Segment

From visualization of gaps to effective human resource measures

Since our establishment, the Toyota Boshoku group has regarded our people as a vital asset that underpins our management foundation, and we have always been committed to HITOZUKURI. We believe that these cumulative efforts have supported our competitiveness and value creation. Recently, changes in market structure and the diversification of customer needs have been progressing rapidly amid advances in electrification and softwarization. To become the Interior Space Creator, we must create new spatial value that exceeds our customers' expectations, going beyond conventional approaches. To achieve this, it is essential that we develop human resources capable of creating value, more than ever before, and establish a new environment that supports this. Based on this understanding, the Toyota Boshoku group regards the further advancement of human capital management—which aims to maximize the potential of human resources—as a crucial initiative that directly contributes to strengthening our management foundation. To realize our business strategy, we are promoting a human resources strategy to secure the talent necessary for the company's growth and maximize the value-creation potential of our workforce, by bringing together expertise and diversity.

As part of this process, by fiscal 2026 we had defined the quality and quantity of personnel needed by 2030 in the form of a human resources portfolio. After assessing current skill gaps and surpluses, we launched measures to address the shortage of human resources and skills. We are also working to create an environment in which company members can fully realize their potential through initiatives such as promoting diversity & inclusion and helping each and every member to shape their career. To verify our progress with these initiatives and their results, we have introduced a new employee survey and are monitoring engagement. Through these activities, the gap between our target and the current situation is visualized, leading to the planning and implementation of effective measures for improvement.

Furthermore, as our target becomes clearer, it is increasingly important to reliably and efficiently secure the human resources we need in new fields, including people capable of planning and proposing value for the entire space, and to accelerate their development. Amid a challenging hiring environment, we will need to shift our resources from existing internal fields to strategic fields without relying excessively on external hiring. To achieve this, we will promote the Value Time 2X (VT2X) initiative in our administrative and technical divisions as well, and by maximizing use of AI and DX, we will work to expand capacity within our existing fields. In addition, with a view to accelerating professional development, we will increase opportunities for cross-boundary learning—both in and outside the company—to acquire new skills, while fostering a culture in which each company member can set their sights on their own future, independently acquire the necessary knowledge and skills, and learn from one another.

As we continue on our journey toward becoming the Interior Space Creator, the Toyota Boshoku group will further refine its HITOZUKURI capability—a strength we have maintained since our founding—and leverage this to realize sustainable growth. Throughout this process, it is important for each and every company member to take the initiative in driving change and to continuously take on new challenges, guided by a strong determination to "make tomorrow better than today." By enhancing corporate value through such challenges, we aim to achieve a balance between the company's development and the well-being of our company members, and to become a company that continues to resonate with and be chosen by ever more people.

Capital (strength) / Issues and measures

Capital (strength)	Connection to ISC	Recognition of issues / Required strengths	Specific measures / Activities
Defining required human resources Acquisition of talented human resources	With our human resources portfolio as the starting point, we will secure the talent necessary to create new value in mobility interior spaces in a timely and efficient manner, while monitoring their placement, development, and performance. In addition, to become the Interior Space Creator, we will strengthen our ability to compete for the talent needed in our fields of activity.	● Securing the quality and quantity of human resources (human resources that create value, DX, etc.) ● Ensuring global optimal placement and mobility	● Formulating and refining a human resources portfolio (linked to medium-term staffing plan) ● Visualizing skills and experience through a talent management system ● Creating capacity through operational efficiency and refinement, and promoting the reallocation of resources to strategic fields to realize our business strategy ● Reskilling to reallocate resources to strategic fields, and hiring immediately deployable talent
Support for employee development	We will foster the independent growth of human resources capable of driving innovation, based on their specialized knowledge and broad understanding of the industry and business.	● Systematically developing next-generation leaders ● Fostering a culture that encourages independent and collaborative learning ● Establishing a human resources development foundation to support independent career formation	● Strengthening the development of next-generation leaders through a review of management training programs ● Establishing systems and opportunities to promote independent and collaborative learning ● Providing cross-boundary learning opportunities through in-house side jobs, external assignments, etc. ● Expanding career options through the introduction of the Career Development Leave Program ● Holding career design seminars (by age)
Promotion of Diversity and Inclusion (D&I)	We aim to create an organization capable of creating new value by fostering an environment where people with diverse backgrounds and values respect and leverage each other's differences.	● Fostering a workplace environment and organizational culture where diverse human resources can realize their potential	● Deepening understanding and spreading the importance of D&I at company-wide D&I events ● Promote ENRG* activities ● Rollout of LGBTQ+ Ally scheme
Creating a comfortable and flexible work environment	We encourage new challenges and create an environment in which company members can work happily with enjoyment, through the development of flexible, efficient, and creative work rules and an open workplace.	● Establishing competitive employment conditions and implementing a performance-based pay system ● Expanding programs to enhance company members' financial well-being ● Increasing engagement through workplace-led analysis and improvement ● Enhancing workplace communication to build trust and foster psychological safety	● Introducing and implementing higher starting salaries, a new wage system/compensation structure, and introducing housing allowances ● Implementing training to enhance financial literacy ● Realizing organization-led culture improvements using employee surveys ● Establishing employee clubs to revitalize internal communication

* Employee Network Resource Group: D&I promotion activities through the following employee groups: women, young people, seniors, non-Japanese members, and people with disabilities.

Human resource strategy

The Toyota Boshoku group has consistently focused on R&D, MONOZUKURI and HITOZUKURI from the customer's perspective, based on the concept that "HITOZUKURI is at the heart of MONOZUKURI." People are the source of corporate value, and we place importance on human capital management, positioning people as our most important management capital. We aim to achieve sustainable growth and strengthen our competitive advantage through the creation of an environment in which diverse human resources can work autonomously and maximize the power of the organization.



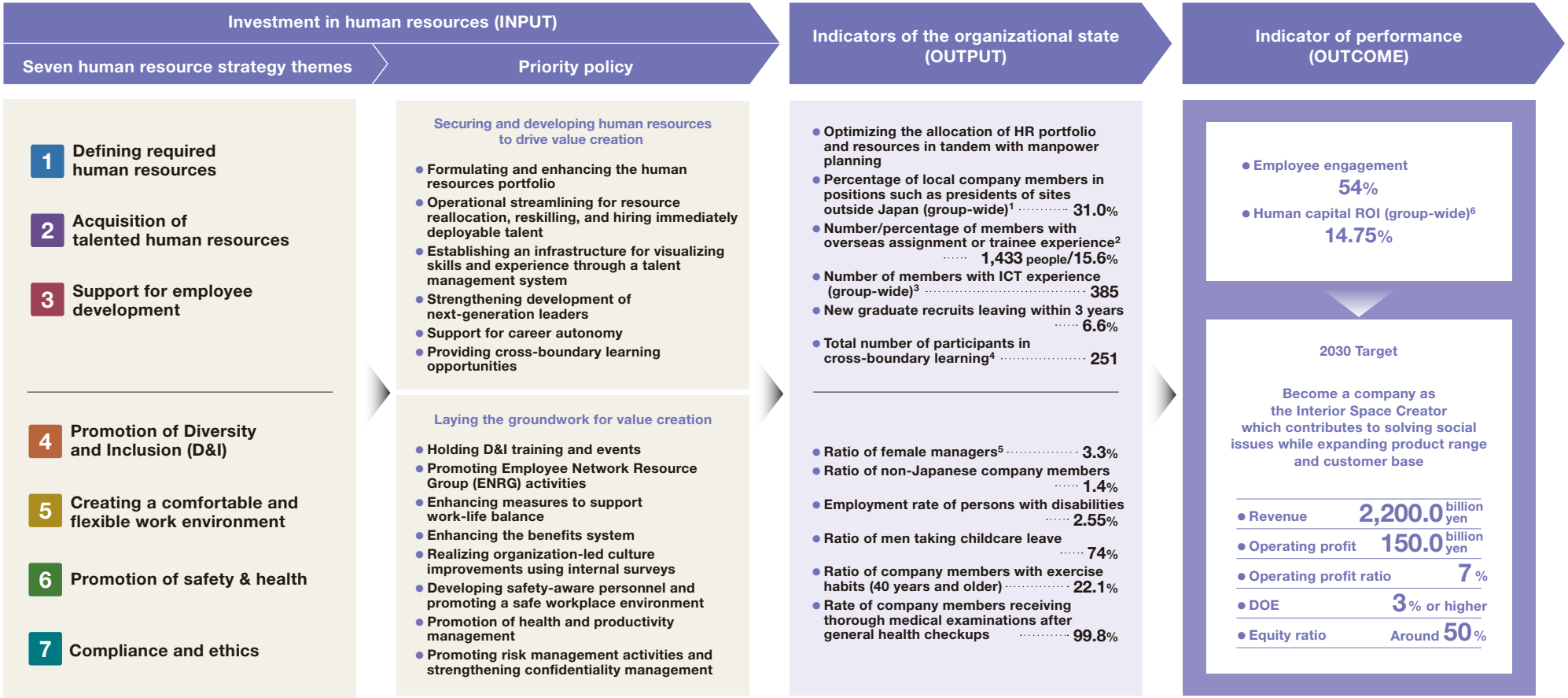
1	Defining required human resources	With our human resources portfolio as the starting point, secure the talent necessary to create new value in mobility spaces in a timely and efficient manner, while monitoring their placement, development, and performance.
2	Acquisition of talented human resources	To become the Interior Space Creator, strengthen our ability to compete for the talent needed in our fields of activity.
3	Support for employee development	Foster the independent growth of human resources capable of driving innovation, based on their specialized knowledge and broad understanding of the industry and business.
4	Promotion of Diversity and Inclusion (D&I)	Aim to create an organization capable of creating new value by fostering an environment where people with diverse backgrounds and values respect and leverage each other's differences.
5	Creating a comfortable and flexible work environment	Through the development of flexible, efficient, and creative work rules and an open workplace, encourage new challenges and create an environment in which company members can work happily with enjoyment.
6	Promotion of safety & health	Based on the belief that the top priority should be placed on safety and health at work, promote health management and safety and health management to realize an environment in which company members are both mentally and physically healthy, and can work with peace of mind.
7	Compliance and ethics	Aim for continuous organizational operation and a reliable environment by implementing initiatives to ensure adherence to compliance and respect for human rights, as well as risk management.

For details, please refer to the Human Capital Report https://www.toyota-boshoku.com/global/company/library/human_capital/

Overview of human capital management

Based on seven human resource strategy themes aligned with our corporate strategy, we are working to clarify the causal relationship between investment in our human resources and business results, and to maximize the value-creation potential of human resources. The figure below illustrates how investment in human resources (INPUT) leads to indicators of performance (OUTCOME) through indicators of the organizational state (OUTPUT). To enhance our ability to create new spatial value that exceeds customer expectations, we are investing in recruitment and training while also working to refine our human resources portfolio and reallocate resources.

In human capital management, we consider employee engagement and human capital ROI as the priority indicators of performance (OUTCOME). We have established employee engagement as an indicator of the state of the organization and the effectiveness of our HR strategy. We utilize human capital ROI as one of several reference indicators for gauging the effectiveness of human capital investments, and rather than evaluating it in isolation, we monitor it comprehensively in conjunction with employee engagement and various KPIs.

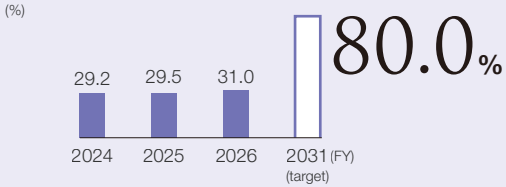


1 Unless otherwise specified, the KPIs listed here are non-consolidated figures. When using group-wide figures, the scope is clearly specified.
2 The number and percentage of members with experience in overseas assignments or the trainee program (excluding those who have left the company; those with experience on multiple occasions are counted as one person)
3 The number of members with experience of the ICT program (including those who have left the company; those with experience on multiple occasions are counted as one person)
4 The total number of participants in cross-boundary learning (learning opportunities that expand an individual's horizons and knowledge through experiences in different environments, transcending the boundaries of one's organization or job role)
Target initiatives: Overseas Trainee, TB Share Pro activities (projects that work to resolve challenges in collaboration with local companies), external dispatch program, We:ave (a career autonomy support program aimed at expanding our business fields and developing leaders for the creation of new businesses), in-house open job application system, in-house side-job system, university partnership initiatives (support programs for working adults enrolling in university, joint research) (including those who have left the company; totals include repeat participants)
5 Along with the revision of the re-employment system in fiscal 2025, re-employed members who maintain the grade they held prior to leaving are included in the calculation from that fiscal year onward.
6 Human capital ROI = operating profit / human capital cost. Human capital cost is calculated using labor costs.

Developing human resources who can flourish globally

Established KPI

Percentage of local company members in positions such as presidents of sites outside Japan



Developing human resources who flourish globally

For the Toyota Boshoku group—an organization with many locations worldwide—to achieve sustainable growth, it is essential that we ensure self-sufficient operations in each region and secure, assign, and foster the management talent to undertake this. Based on our human resources portfolio that looks ahead to our 2030 Target, we will promote the development of human resources who combine expertise with management skills, as well as their optimal assignment on a global scale.

Related initiatives

● Optimizing assignment

For managers and above, we utilize Global HR Platform, a global common platform to promote the assignment of the right people to the right roles on a global basis. We are aiming to maximize our global organizational capabilities by promoting systematic assignment from a human resources development perspective.

① Strengthening collaboration through personnel exchanges

In order to create value across the entire group while maintaining the self-sufficient operations of each region, it is essential to strengthen collaboration among our locations. However, as the pool of human resources with experience of working outside Japan was limited in the past and there was also scope for improved global engagement by the Japan head office, there were challenges in terms of mutual understanding and communication among the various sites.

To address this, we are systematically developing global human resources through the Intra Company Transferee (ICT) program, under which local staff at sites outside Japan are dispatched to our head office in Japan, and the trainee program, under which young personnel from our Japan head office are dispatched to sites outside Japan. We have sought to revitalize the ICT program by revising it to create a more user-friendly environment, including expanding the temporary home-leave system and the system for allowing family members to accompany dispatches. We are also promoting initiatives such as the English Cafe-a place for enjoying casual conversation in English-and the TB Eigo Dojo[1] in order to create a global environment at our Japan head office.

As a result of these initiatives, the number of members with experience outside Japan is steadily growing. The establishment of a network among our offices through personnel exchanges has progressed, and mutual understanding has also improved. In addition, there have also been increasing cases of members with ICT experience being appointed to positions such as presidents of sites or functional heads of Regional Management & Collaboration Hubs upon their return, which is contributing to a rise in the percentage of local company members in positions such as presidents of sites outside Japan. We will continue to expand personnel exchanges through our ICT program and trainee dispatches, while also strengthening our global collaboration capabilities by strategically deploying experienced personnel and promoting the globalization of our Japan head office.

• Number of members with overseas assignment or trainee experience (percentage)[2]	**1,433** (15.6%)
• Number of members with ICT experience (group-wide)[3]	**385**

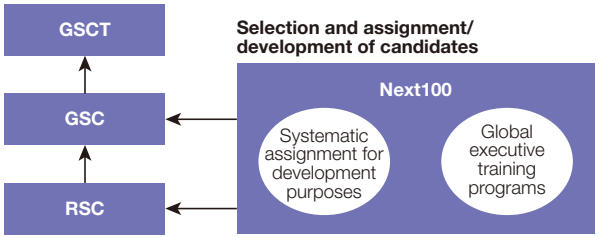
② Developing the next generation of management

We are promoting the Next100 initiative aimed at the systematic development of future management resources. We will support growth by providing opportunities for assignments that transcend location and divisional boundaries, by selecting 100 human resources from among our diversity of talent including young people, women, and non-Japanese members, who will be the future leaders of the Toyota Boshoku group. Furthermore, we conduct global executive training programs for manager (G3) level and above, and for Senior Specialist and Chief Leader level, we are implementing the Creators Development Program (CDP)[4] aimed at developing leaders who will drive the realization of "I like Toyota Boshoku."

In addition to these development measures, we are also working to nurture successors for key positions. At succession committees in which top management and executives participate, succession plans are drawn up and continuously reviewed for each target group. Specifically, policies for selecting and developing potential successors are considered by the GSCT[5] for succession of executives, by the GSC[6] for succession of presidents of business sites in regions outside Japan and persons in senior positions at Regional Management & Collaboration Hubs, and by the RSC[7] for succession of other important posts.

Developing the next generation of executive management candidates

Succession committees



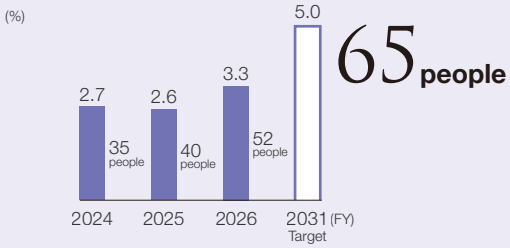
• Cumulative number of participants in global executive training programs	**250**
GEDP[8] cumulative number of trainees	**118**
GLDP[9] cumulative number of trainees	**132**
• CDP cumulative number of trainees	**54**

1 A portal site for sharing information about in-house English-related activities and supporting English language learning
2 The number and percentage of members with experience in overseas assignments or the trainee program (excluding those who have left the company; those with experience on multiple occasions are counted as one person)
3 The number of members with experience of the ICT program (including those who have left the company; those with experience on multiple occasions are counted as one person)
4 Creators Development Program: Selective training for young members approaching manager level
5 Global Succession Committee by Top Executives: Executive management successor development committee comprising members at the Operating Officer level and above
6 Global Succession Committee: Global key post (presidents of business sites, director, division general manager, etc.) successor development committee comprising members at the level of Toyota Boshoku Chief Officer and above, including regional CEO
7 Regional Succession Committee: Successor development committee for key posts other than those discussed in the GSC by Segment Chiefs or Chief Officers/Field Chiefs/Division General Managers and regional CEOs/Operating Officers
8 Global Executives Development Program: Selective training for mid-level senior managers
9 Global Leaders Development Program: Selective training program for junior executives and managers

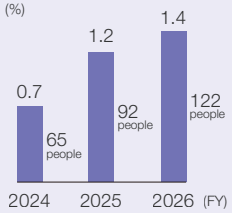
Diversity and inclusion

Established KPI

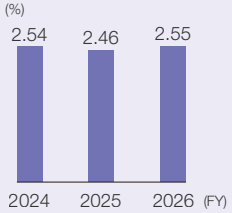
Ratio of female managers



Ratio of non-Japanese company members*



Employment rate of persons with disabilities



*Excluding members on secondment among permanent employees

Basic policy

We believe that an environment where everyone can freely and openly share their views—regardless of gender, age, nationality, race, religion, or disability—leads to a fusion of the knowledge possessed by this diversity of human resources, and consequently advances innovation, resulting in business expansion as well as the creation of new businesses.

To create an open workplace, we conduct lectures and e-learning training on harassment, compassionate communication, the importance of diversity and inclusion (D&I), and unconscious bias. Through these initiatives, we are promoting the formation of an organization where we respect one another and leverage diversity as a strength.

Related initiatives

① Cross-organizational D&I promotion system

In 2022, we established the Employee Network Resource Group (ENRG), an employee networking group.

ENRG is composed of five groups—women, young people, seniors, non-Japanese members, and people with disabilities. They collect feedback from company members based on their different situations and experiences to understand issues relating to the workplace environment and systems, making recommendations in an effort to resolve issues.

Additionally, in fiscal 2026, representatives of each group made proposals to the management at the ENRG Committee aimed at creating a comfortable working environment for company members. Now, based on this, progress is being made devising specific policies and reviewing existing systems, leading to improvements in work comfort.

Once a year since fiscal 2024, ENRG has taken the lead in organizing D&I Week. During the event, through lectures by external experts, interaction between company members, hearing impairment and wheelchair experiences, we aim to boost members' understanding of D&I and raise their awareness.



D&I Week

• ENRG participants	**128**
• ENRG Committee proposals	**28**
• D&I Week participants	**1,316**

② Support for diverse workstyles

To create a workplace where diverse human resources can play an active role, Toyota Boshoku is also establishing systems and an environment to support flexible and effective work styles. As one aspect of efforts to support work-life balance, we have enhanced systems to encourage male company members to take childcare leave and are working to foster understanding in the workplace. We also introduced mechanisms for income support to boost involvement in child raising.

Also, in fiscal 2027, we introduced the Career Development Leave Program. It enables members to take leave for reasons such as study or accompanying a partner transferred abroad. By leveraging what they learn or experience after they return to work, we are supporting proactive career development for each member. Going forward, by creating an environment that supports both major life events and career development, we aim to realize a workplace where diverse human resources can actively participate.

Main systems	Contents
Short-time working system	Available until the child turns 18 (can be used in conjunction with teleworking), with a choice of 4–7 hours of work time
F Care Leave	Combined and re-named menstrual and morning sickness leave, etc. as "F Care Leave", which some members had been uncomfortable to request due to the naming
Life Support Leave	Enables leave to be taken for fertility treatment and family care (with no gender restriction)
Support for men taking childcare leave	Established a support fund system to supplement the decrease in income when members take one month or more of childcare leave, to encourage more people to take leave
Career Development Leave Program	Established a system of leave for reasons such as study or accompanying a partner transferred abroad, to support company members' growth and career development

• Number of company members using short-time working system	**258**
• Number of men taking childcare leave	**202**
• Ratio of men taking childcare leave	**74**%
Of which, utilization by applicants	**100**%
• Average days of childcare leave taken by men	**58** days

Human rights initiatives

Basic stance and human rights policy

The Toyota Boshoku Group Human Rights Policy was formulated with the approval of the Board of Directors in November 2021. Based on international norms including the Universal Declaration of Human Rights, and with the United Nations Guiding Principles on Business and Human Rights serving as an implementation framework, we promote human rights initiatives.

We expect that this policy not only applies to our company members, but is also understood and upheld by all stakeholders.

Priority themes

- Diversity
- Discrimination and harassment
- Forced labor and child labor
- Occupational safety and health

Promotion structure

Our Human Rights Working Group conducts various activities, led by the Sustainability Field Chief with members selected from related divisions.

To ensure management is fully informed about human rights initiatives, the group reports its activity plans, progress, and results to the CSV Promotion Meeting, which includes the President, and also to the Board of Directors, chaired by the Chairman, for supervision of the group's activities.

Human rights due diligence

The Toyota Boshoku group aims to deepen the understanding of human rights by each company member including officers, and to build on our Human Rights Policy to contribute to the realization of a free and fair society that respects human rights.

We are committed to respecting the human rights of all stakeholders related to the Toyota Boshoku group through ongoing education and training on human rights, as well as dialogue and consultation with each stakeholder.

The Toyota Boshoku group is continuing its initiatives aimed at building a sustainable value chain, based on the UN Guiding Principles on Business and Human Rights.

Human rights due diligence implementation status and achievements

The Toyota Boshoku group has been conducting human rights due diligence based on our Human Rights Policy since fiscal 2023 in an effort to reduce human rights risks associated with our business activities. Human Rights Working Groups have been established in each region to accurately assess the impact on people and ensure that mitigation measures are taken after risk identification. They conduct written surveys and hearings based on 19 human rights issues related to our value chain, while taking regional characteristics into consideration. We are steadily implementing preventive and mitigation measures for the identified human rights risks, while continually expanding the scope of human rights due diligence initiatives. Also, we are gradually expanding the implementation of human rights due diligence at group companies inside and outside Japan, based on deliberation of target companies, priority, and assessment methods, in the light of regional circumstances and characteristics. In fiscal 2027, we plan to promote human rights due diligence by expanding the scope to include group companies in the Americas.

Response to specific risks

We take an integrated approach, formulating plans for prevention and mitigation based on the results of human rights impact assessment, monitoring their progress, and evaluating their effectiveness. Evaluation results from each company are reported once a year to the CSV Promotion Meeting and the Board of Directors, and we implement a management-supervised PDCA cycle in our ongoing efforts to reduce human rights risks.

Human rights due diligence implementation and future plans

Region	Results of human rights due diligence implementation Figures in brackets indicate the number of implementation companies in fiscal 2026
Japan	18 companies / 18 companies
Europe & Africa	9 companies / 9 companies
Asia	16 (15) companies / 16 companies
The Americas	1 (1) companies / 14 companies

Comments from initiative-related parties



Pichet Prasertangkoon
Corporate Strategy Div.
Toyota Boshoku Asia

As an HR representative, I play a key role in the Asia region in expanding human rights initiatives within Toyota Boshoku Asia. We connect divisions such as those involved in human resources, legal affairs, safety and health, and procurement for the promotion of human rights due diligence, supporting each company in advancing initiatives matched to their specific circumstances.

When we began our activities, there were discrepancies in the understanding of human rights, laws, and international standards, and we faced a major challenge in accurately communicating the intention of questions posed. Because some group companies in Thailand in particular were confused by the English language assessment materials, we conducted briefings and provided translation support. It was not just a matter of translating the words, we also strived to carefully explain the reasons why certain questions were asked, in order to promote understanding. In the first fiscal year, we received many questions and consultation requests, and we deepened understanding through a series of regular meetings and Q&A sessions, creating a framework that enables local members to proactively participate in the activities.

As a result, we have developed the groundwork for promoting respect for human rights not only in specific departments, but throughout the entire organization. Now, each company is introducing a human rights perspective into their existing management activities. From fiscal 2027, in my corporate planning role, I am coordinating activities across the region, strengthening coordination between each function and sharing best practices, with the aim of further establishing, and continuously improving activities promoting respect for human rights.

Safety

Related initiatives

● Educational activities

The Toyota Boshoku group is conducting ongoing awareness raising activities to deepen the human rights understanding of every company member so that they can put it into practice in their day-to-day work. Each year, we hold the Toyota Boshoku Group Human Rights Week, during which in-house representatives visit workplaces to hold lectures, while promotional posters using familiar topics are displayed in work areas and common spaces. By combining discussion-based study with every day promotion, we catch the attention of a range of company members, which helps to foster a workplace culture where human rights are respected.



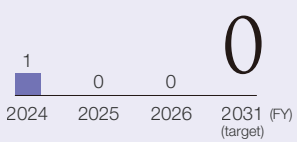
● Initiatives in the supply chain

We established the Toyota Boshoku Group Supplier Sustainability Guidelines in May 2022, based on our Human Rights Policy, to help prevent violations of human rights from occurring, and to build a sustainable supply chain. In addition, we hold briefings once a year to deepen understanding and disseminate the content.

Together with all parties in our supply chain, we are working towards the realization of a sustainable society.

Established KPI

Number of fatal accidents involving company members



Our Basic Philosophy for Safety and Health, and our Basic Safety and Health Policy

Toyota Boshoku group management and company members cooperate to implement safety and health activities based on our Basic Safety and Health Policy to establish a corporate culture that prioritizes workplace safety and health. We also work globally to enhance health and safety at work through activities based on an Occupational Safety and Health Management System (OSHMS).

Furthermore, we consider the prevention of “high priority accidents”—those that can lead to fires or fatal accidents—to be the most important issue. For this reason, we have systematized 10 safety initiatives—including adherence to basic behavior such as “Stop, Call, and Wait,” the 4S and 5FIX,* as well as measures to prevent the recurrence of similar incidents—and formulated them into the 2030 Safety Roadmap. Based on this roadmap, we are promoting ongoing safety activities with the goal of achieving zero high priority accidents.

Our Corporate Philosophy, shared by all company members, and the TB Way, which express our values and behavioral principles, both stipulate respect for the individuality and humanity of our members. Through their implementation, we ensure thorough respect for the laws and societal norms of each country and region, while striving to foster a corporate culture which allows diverse human resources to work safely and with peace of mind.

* 4S: Seiri (Sort), Seiton (Set in order), Seiso (Shine) and Seiketsu (Standardize)
5FIX: Fix Route, Fix Quantity, Fix Place, Fix Name, and Fix Color

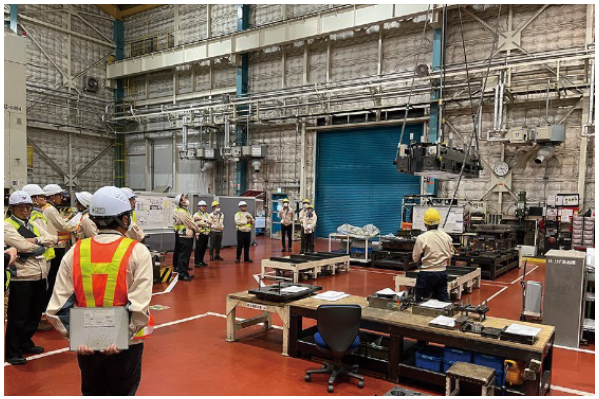
Related initiatives

● Safety and fire prevention cross-check

The entire Toyota Boshoku group, including suppliers, is working in unity to prevent high priority accidents, which can lead to fatal accidents, and to prevent fires.

As one aspect of these efforts, a safety and fire prevention cross-check by top management of each plant was again implemented globally in fiscal 2026.

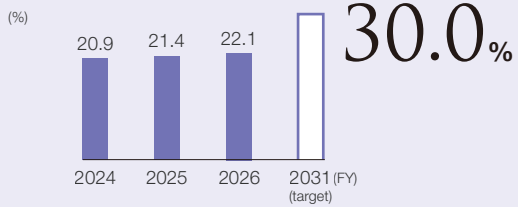
Entity top management visits entities not under their jurisdiction to check the status of 4S, to verify the environment for the practice of Stop, Call, and Wait, and to check safety measures at facilities, etc. They endeavor to discover and rectify potential risks at an early stage, which leads to improved safety awareness and the establishment of a safety culture.



Health and productivity management

Established KPI

Ratio of company members with exercise habits (40 years and older)



Our basic health and productivity management Policy & objectives

Recognizing that promotion of improved health among our company members is an important management task, we have established the Toyota Boshoku Health Declaration with the aim of promoting health-improving activities on a medium- to long-term basis. Labor and management are working together in unison to implement health and productivity management.

Promotion of health and productivity management

With the CEO serving as the person holding chief responsibility, we promote health and productivity management through a collaborative framework involving related divisions and the Health Insurance Association, led by the Health and Well-being Promotion Division (established in April 2026).

We are promoting health and productivity management as a company-wide initiative led by the management team, by resolving and reporting on the results and challenges of our health measures at the Board of Directors and the Corporate Management Meeting, and by exchanging views on how to make improvements.

In each division, led by the Health & Well-being Promotion Leader, efforts are underway to raise awareness of health issues among company members and promote health measures.

Furthermore, challenges and initiatives are shared with affiliated companies and labor unions both in and outside Japan, and in this way we promote health and productivity management across the entire Toyota Boshoku group.

- Smoking rate **25.6%**
- BMI 25 or more **31.8%**
- Ratio of those with exercise habits[1] **45.5%**

1 30 minutes or more of exercise at least once a week

Certified as an Excellent Enterprise of Health and Productivity Management

Our various health promotion measures and health-building activities were recognized, and Toyota Boshoku was once again certified as an Excellent Enterprise of Health and Productivity Management (White 500) in fiscal 2026. This marks our fifth consecutive year of certification.

Measures to cultivate good health: visiting health lectures

Since fiscal 2025, we have been promoting health initiatives aimed at fostering nutrition education and establishing exercise habits. In fiscal 2026, we introduced the vascular age assessment and Veg Check®2 tools, and held health talks and measurement sessions in all divisions of Toyota Boshoku.

This created an opportunity for company members to reassess their health status, leading to increased health awareness.

2 A device that estimates vegetable intake based on the color of the palm of the hand

Comments from initiative-related parties



Motokazu Iino
Tokyo Quality Control Department, Toyohashi Tokyo Quality Control Division (Health & Well-being Promotion Leader)

When I began my activities as a leader, I, too, felt that getting started with exercise was a big hurdle. However, by participating in light exercise seminars and walking rallies, I was able to develop exercise habits that I can maintain without putting undue strain on myself. Morning walks have now become a routine habit, and I've sensed positive changes in my physical and mental health, as well as improvement in my work performance. Drawing on these personal experiences, I would like to support each company member in pursuing a health regimen that suits them individually, thereby helping to raise health awareness throughout the workplace.

Employee engagement

At Toyota Boshoku, we regard employee engagement as a key indicator in measuring organizational health. We analyze member feedback obtained from the results of engagement surveys at the organizational level and reflect it in our HR strategy and measures, and in workplace improvements.

Through these initiatives, we aim to enhance engagement and promote the creation of an open workplace where every company member feels comfortable sharing their opinions, where we can all grow together. Such initiatives lead to the realization of well-being, and by enabling each individual to reach their full potential and enhancing organizational strength, they help drive the sustainable enhancement of corporate value.

- Employee engagement positive response rate **54%**

Well-being

We aim to be a company where every member can maximize their potential and where we continue to create value. The key to achieving this lies in improving health and well-being. Well-being refers to a state of physical, mental, and social well-being and fulfillment. At our company, we are promoting initiatives that enhance the sense of fulfillment and happiness of each and every member, with health as the basis. While health serves as the foundation that enables company members to perform to their full potential, well-being acts as the driving force behind higher performance through factors including a sense of fulfillment, a feeling of growth, and positive interpersonal relationships. By promoting these initiatives in an integrated manner, we are enhancing the well-being of company members in a variety of ways.

At company-wide events such as sports festivals, we have traditionally set up health booths aimed at fostering health awareness. Going forward, we will expand the scope of our activities to include booths introducing well-being initiatives, such as career development programs. By integrating measures to cultivate good health with well-being initiatives, we will create a virtuous cycle that links individual fulfillment with organizational growth, leading to the sustainable enhancement of corporate value and contributions to society.

Q6

How is management decision-making evolving to enhance corporate value?



Section 6

Establishing a resilient global management foundation

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94 Evaluation results of the effectiveness of the Board of Directors

Message from the Chair of the Board of Directors

Enhancing the effectiveness of strategy and governance through dialogue and in-depth discussion

Shuhei Toyoda
Chair of the Board of Directors



Creating value and enhancing corporate value, with the Interior Space Creator as the core

At Board meetings during fiscal 2026, we held extensive discussions on our medium- to long-term growth story, centred on the Interior Space Creator (ISC) concept. At executive discussion meetings, which were also attended by outside officers, we made progress on refining our product roadmap and fleshing out the 2030 Medium-Term Business Plan, and our future direction has become clearer. Furthermore, we have been focusing on financial and market issues such as our business portfolio, investment opportunities, shareholder structure and cost of capital, and have been incorporating investor feedback gathered through our IR activities into management decisions.

At the same time, there is still room for refinement in terms of consolidating these elements into a single value creation story and clearly presenting it as a path towards improved profitability and capital efficiency. It is important that we connect individual strategies, investments and investors' perspectives in order to enhance corporate value. We will therefore establish investment priorities and allocate resources accordingly while carefully balancing growth with profitability.

Looking ahead, with the ISC as our starting point, we will take an integrated approach to business strategy, investment decisions, financial indicators, and market valuation, thereby further clarifying the process for improving profitability and capital efficiency. We will also ensure that the external perspectives gained through dialogue with investors are fully reflected in the Board of Directors' discussions, thereby further enhancing the effectiveness of governance.

Furthermore, we place a high priority on leveraging intangible assets as a management resource for supporting medium- to long-term growth. In particular, intellectual capital, manufacturing capital, and human capital are key management resources that underpin the ISC concept. This is indeed the identity of the Toyota Boshoku group, comprising our strengths in R&D, MONOZUKURI, and HITOZUKURI. MONOZUKURI rooted in our manufacturing sites and the drive of our people as they continue to take on new challenges are the very sources that support our value creation. We will continue to hone these strengths and, with ISC at the core, move forward steadily into the future.

Making decisions through diverse perspectives, and improving effectiveness

I myself have been involved with the Board of Directors for many years, and I feel that the experience I have gained over that time has been invaluable in helping me navigate change without losing sight of the essence of our business. On the other hand, it is also true that there is a concern that the longer one is involved, the more one's perspective becomes fixed. That is precisely why it is important to incorporate diverse perspectives, and outside directors play a significant role in this regard. After gaining a solid understanding of the company's business, they provide the stakeholder perspective from an independent standpoint, and as a result, the quality of our Board of Directors' discussions has definitely improved. The effectiveness evaluation has also indicated that discussions have become more robust and that the range of perspectives has broadened. At the same time, some have pointed out that our value creation story and the path to profitability need to be further clarified.

In light of this, we have appointed Hiroko Ohmura as a new outside director to bring greater diversity and expertise to the Board of Directors. While our company has grown primarily through our Toyota business, expanding our customer base and venturing into new fields will be essential in the years ahead. To that end, it is essential that we bolster our marketing and brand strategies. We will further strengthen the Board of Directors' functions by leveraging Ms. Ohmura's expertise.

In addition, to deepen discussions, we also make use of informal meetings held after Board of Directors meetings. Through an open and candid exchange of views, we deepen understanding of strategy and engage in in-depth discussions on key topics. Moreover, to ensure that we effectively fulfil our supervisory function, we are reviewing the division of responsibilities between supervision and execution, as well as our decision-making processes. We will deepen discussions by leveraging diverse perspectives, and follow through on our decisions. We believe that these cumulative efforts will lead to an enhancement of corporate value, and we are committed to working towards that goal.

Fostering a culture of safety, quality, and continuous improvement across the entire group

The Board of Directors regards safety and quality as the most critical issues underpinning corporate value. Across the entire Toyota Boshoku group, we are working to instil a mindset that prioritises safety and quality above all else, but we recognise that there is still room to further embed the associated mindset and behaviours. Particularly from a global perspective, there are differences in safety and quality awareness and management standards among our various sites, and so robust implementation of basic quality practices remains a critical management issue.

To prevent quality issues from arising in the first place, it is important to identify the facts at the workplace and continuously refine standards. While leveraging innovations such as DX, we will work to enhance our production systems and ensure consistent quality, and pursue manufacturing methods that are optimised to the specific conditions of each region.

At Board meetings, we view quality-related problems not merely as a matter for the manufacturing sites, but also as a critical management issue, and we discuss the organisational structures, processes, and decision-making approaches underlying such issues. In particular, we continuously verify whether the organisation has thoroughly implemented systems to prevent misconduct before it occurs and makes decisions based on appropriate standards, as well as whether it has systems in place to detect early signs of problems and take corrective action.

Furthermore, recognising the need to balance quality and profitability as a key issue, we will enhance our supervisory role to ensure that the principle of prioritising safety and quality is consistently implemented by both members at manufacturing sites and management. As Chair of the Board of Directors, I will accurately assess the realities at the workplace and listen to the voices of our company members, and by incorporating these insights into Board discussions and decision-making, I will ensure that quality remains at the very core of our efforts to enhance corporate value. Looking into the future, we will continue to meet the expectations of our stakeholders by strengthening governance and fostering a corporate culture that prioritises safety and quality.

A conversation between outside board members

Driving change toward sustainable growth



We are aiming to become the Interior Space Creator (ISC), creating new value with the automobile interior space as our starting point. As the nature of automobiles undergoes a major transformation, how can we translate this concept into business growth? Two outside board members with different perspectives and career backgrounds exchanged views on the company's current position, the challenges it faces, and the role the Board of Directors should play.

From your independent perspective, how do you view the process of giving shape to the ISC as a business?

Yamazaki ● I think we are making steady progress with our ISC initiative. However, viewed from the perspective of an outside director, I feel that the ultimate target and milestones along the way are not so easy to perceive. The ISC is a process that involves finding the optimal solution while satisfying many conditions simultaneously, and the constraints imposed by people and organizations are greater than those associated with technology. That is why I believe it is important to clearly define the criteria for success, and to ensure we have a clear picture of where we currently stand.

Miura ● I share your view. I think the concept and direction of the ISC are wonderful. On the other hand, the business model for making this a reality has yet to be established. Until now, automotive parts manufacturers have competed on the basis of cost and quality for individual parts, but going forward, the focus will be on conceptualizing the whole of the automobile interior space, and on how to collaborate with automakers and other parts manufacturers, how to carry out development, and how to turn that into profit. I think the next challenge is to refine that roadmap.

Yamazaki ● Rather than defining everything perfectly from the start, we are giving shape to the concept as we move forward on a solid foundation. With that in mind, we need to think about where our company will excel, and what we will do differently, rather than simply continuing along the path we have followed to date. Once we have a clearer picture of that, I believe the Board of Directors will also be able to engage in more in-depth discussions.

What are the key points when it comes to incorporating the ISC into management decision-making?

Yamazaki ● I believe that the technologies for controlling noise and vibration (NV technologies), and the technologies for evaluating human sensibilities, are the core elements that will ultimately make the ISC a reality. If we possess strengths that others don't, people and opportunities will naturally gravitate toward us, setting in motion a cycle that reveals new challenges and the future world. The Board of Directors should also clarify a little more where we need to focus our efforts in order to move closer to success.

Miura ● The same is also true of the path to monetization: with no single, straightforward solution, we are currently in the process of refining it through discussions with our group companies and automakers. That is indeed why we should be aiming for a position where, having clearly shared our target and core technologies, we are able to propose solutions for the entire automobile interior space — as a so-called "Tier 0.5" supplier.

How do you view changes in the business environment, particularly in the Chinese market?

Miura ● In general, the cost competitiveness and development speed of Chinese companies pose a threat to Japanese firms. Arguably, however, the long-term reliability of products is still to be assessed, and I believe that Japanese companies also need to adapt to local market preferences while leveraging the strengths they have built up. In some cases, emerging automakers do not have

the resources to fully address the vehicle interior, so there are expectations that our company will take the lead in overall cabin design.

Yamazaki ● Fortunately, our main customer, Toyota Motor Corporation, is in a strong position, which is providing us with solid support at this time. On the other hand, that doesn't mean it will last forever. Speed and cost are also a matter of how much risk one is prepared to accept. We are entering a phase that will require painful changes in the short term.

Miura ● I believe that through our experience in such markets, we will also continue to hone our own approach to making proposals. It's not simply a matter of adapting to the Chinese market; rather, I think we will also need to leverage the experience gained in rapidly changing markets, such as those in Asia, for our future business expansion.

How about the corporate value creation story?

Miura ● The fact that our PBR is below 1x probably indicates that we have not yet fully communicated to the market and society the value we create, including our human resource and R&D capabilities, and our customer base — value that is not captured in our financial statements.

Yamazaki ● Our business is primarily B2B, and to date, it has been characterized by stable, long-term relationships. Consequently, we may not have done enough to consider how we are perceived from the outside and incorporate that perspective into discussions about our business and management.

Miura ● Our company has an earnest and unassuming culture, built on relationships with key customers and a steady accumulation of MONOZUKURI expertise. However, we are no longer in an era where that alone is enough to earn recognition. I believe we need strong IR capabilities to leverage those strengths, connect them to our future growth strategy and corporate value enhancement, and communicate them effectively.



Yamazaki ● I agree. Company members are fully committed to their own initiatives and will move forward with them wholeheartedly. That's exactly why I think it's important for us to bring an objective perspective as outside board members, and deepen the discussions within the Board of Directors.

Miura ● That's right. I believe it's the role of outside board members to bring to the Board of Directors a perspective on how the company's internal initiatives are viewed and evaluated by shareholders and the capital markets. We don't have all the answers, but there is value in continuing to ask questions, and I would like us to keep discussing how we can enhance the company's value.

Mr. Yamazaki, you have a background with the Toyota Group. How do you leverage that perspective in the Board of Directors?

Yamazaki ● Since I've been engaged in similar businesses within the same group, I'm able to quickly grasp the business environment and technology, and that allows me to get involved in concrete ways at a level that's close to business execution. On the other hand, Denso Corporation has expanded half of its sales to customers outside the group, so even though we share the same roots, our "upbringing" is different. I can bring in a different culture and perspective. With sales expansion and systems now being key priorities for Toyota Boshoku, I think there is a great deal I can contribute. Rather than simply being content with generating sales outside the group, I'm constantly asking how we can create a cycle in which we apply the insights gained in a challenging market to our core business and enhance our competitiveness.

Miura ● Your insights are always invaluable. To establish our value beyond a reliance on Toyota Motor Corporation we need the ability to incorporate the insights gained from new projects with other automakers into our own business expertise. The fact that you come from the same corporate group in itself brings significant value in terms of your ability to speak from your own experience as an involved party about both the challenges and the possibilities, drawing on your insights gained on the frontlines and your independent perspective.

At this turning point in our strategy, the role of the Board of Directors is also becoming increasingly important. How would you evaluate the monitoring function of the Board of Directors and its effectiveness, including that of the Audit & Supervisory Board members?

Miura ● There is always a debate over whether the appropriate form of governance is a monitoring board or a management board, but unless a company is a pure holding company, it is not realistic to focus exclusively on the former. What's important is whether the company's long-term goals and the strategies for achieving them are shared among executive management, and whether we can monitor the extent to which those goals and strategies are also supported from the perspective of our shareholders and the capital markets. The Q&A sessions at our company's Board meetings are lively, and there are also informal meetings where participants can engage in healthy discussions without feeling pressured to cater to others' expectations, as well as a new forum where outside directors and outside audit & supervisory board members can exchange views. I believe that the effectiveness of the Board of Directors is steadily improving, including through collaboration with the Audit & Supervisory Board members.

Yamazaki ● I agree. That said, there is room for improvement in the level of detail of the agenda items. What we really need to focus our time on are the "inflection points" and "discontinuous risks" that differ from the past. I believe that shifting to a style of operation where such discussion points naturally come up is the key to improving effectiveness. Precisely because this is a field without clear answers, we must clarify our target and core technologies, and dedicate time to the inflection points. My role is to support the execution of business while continually questioning our readiness for discontinuity.

Miura ● I think that the path to improving our effectiveness lies in repeatedly scrutinizing whether our corporate value is being accurately conveyed from the perspective of the capital markets, and in continuing to engage in sound discussions.

Corporate governance

Basic approach

The first item in our Corporate Philosophy is “corporate growth while fulfilling our responsibilities in harmony with society as a good corporate citizen,” and we are promoting sustainable corporate activities through rigorous adherence to corporate ethics. Believing that it is important to maintain and further improve management efficiency, fairness, and transparency, we are working to enhance our corporate governance based on the following five specific items: We have also established a basic stance on compliance and risk management, and are implementing activities accordingly.

1. Ensure shareholders’ rights and equality;
2. Ensure appropriate cooperation with stakeholders other than shareholders;
3. Ensure appropriate information disclosure and transparency;
4. Appropriate execution of the roles and responsibilities of the Board of Directors;
5. Constructive dialogue with shareholders

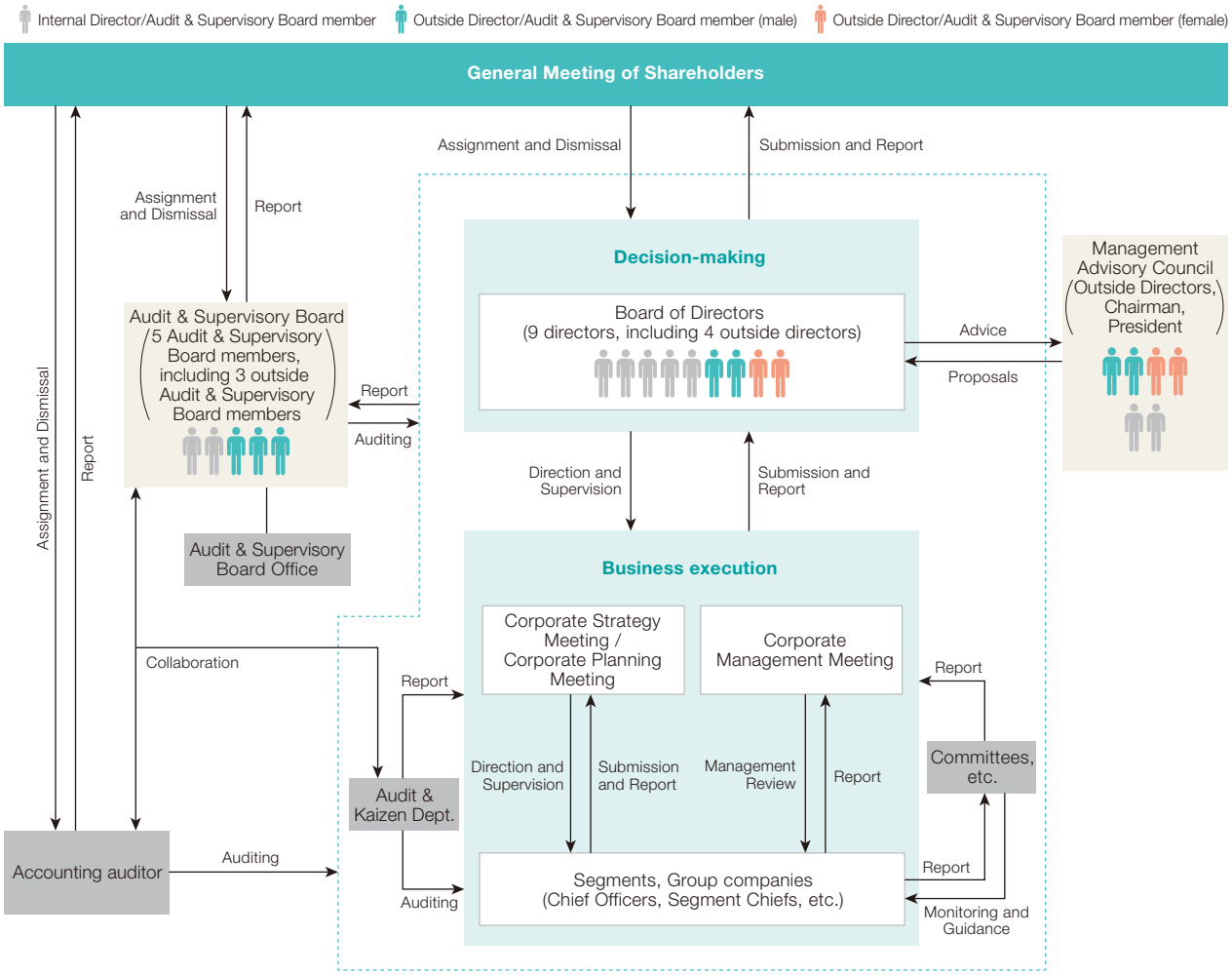
Corporate governance system

Toyota Boshoku has appointed five internal directors and four outside directors with extensive experience and broad insight. Through their supervisory function, the outside directors serve to ensure the legality and appropriateness of decision-making by the Board of Directors and the execution of duties by directors.

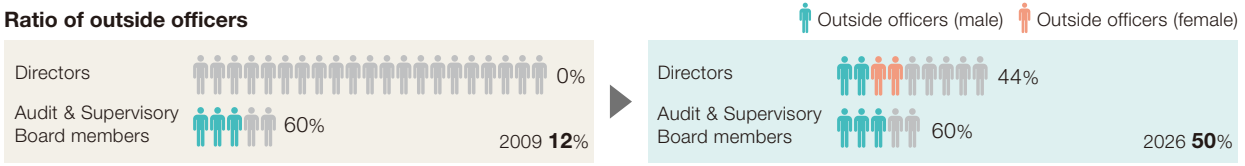
The four persons appointed as outside directors satisfy the requirements for independent directors as stipulated by the Financial Instruments Exchange. They have been designated as independent directors of the Company because it has been determined that there is no risk of conflicts of interest with general shareholders.

In addition, to strengthen the transparency and fairness of procedures related to the appointment and compensation of management, and to enhance corporate governance, we have established a Management Advisory Council to serve as an advisory body to the Board of Directors. Composed of four outside directors and two internal directors (the Chairman and the President), the Council deliberates on important matters such as officer appointments, compensation, and succession planning. We also ensure the effectiveness of the Board of Directors’ supervisory function through collaboration with the Audit & Supervisory Board. This enables us to establish a governance structure that takes minority shareholders into consideration, ensuring a decision-making process that is not biased toward any specific shareholder, while prioritizing operational effectiveness.

System diagram of corporate governance (as of June 12, 2026)

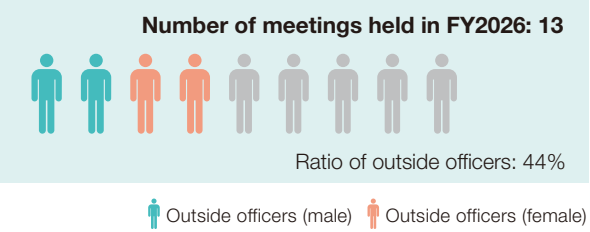


Ratio of outside officers



Corporate governance

Board of Directors



The Board of Directors convenes at least once a month, and as the management decision-making body, decides on important management matters such as legal matters, corporate hoshin (policy), business plans and capital investment plans, and also monitors business execution.

The Board of Directors is chaired by the Chairman.

Items that should be submitted to the Board of Directors are stipulated in rules of the Board of Directors, and other items are delegated to the President, Chief Officers, etc. in accordance with the Authorization Policy.

Group governance

At Toyota Boshoku, we view group governance as a framework designed to maximize corporate value across the entire group by balancing appropriate oversight by the parent company with the autonomous management of subsidiaries. We have clearly defined the division of authority between our head office and subsidiaries, and matters such as major investments and reorganizations are deliberated and determined by the Board of Directors. In addition, when making investments, we base decisions on guidelines, taking into account profitability and alignment with strategy, while continuously monitoring each company's financial condition and risks. Furthermore, we establish appropriate levels of involvement based on each company's significance and risk profile, and we are also strengthening group-wide controls through *Genchi-Genbutsu* (go, see and study) and internal control reviews conducted by the Audit & Kaizen Department. This also leads to synergies through intra-group collaboration. As a result of these initiatives, the entire group is working together to achieve sustainable growth and enhance corporate value.

Main discussions at the Board of Directors in FY2026

Corporate and operational strategies	● Formulation of global hoshin (policy) (consideration of the direction of global strategy and focus fields) ● Deliberation on business advancement, alliances, joint ventures, reorganization, etc. ● Status of investment in and collaboration with startup companies (strategic positioning and progress assessment)	● Status of DX progress (impact on management) ● Progress of IP strategic activities (contribution to competitiveness) ● Status of quality initiatives (evaluation of quality issues and initiatives to prevent recurrence)
Governance and officer-related	● Selection of Chair of the Board of Directors and Chair of the General Meeting of Shareholders ● Appropriateness of the officer and organizational structure ● Amount of compensation for Directors and Operating Officers, and policy for deciding the amount of compensation	● Evaluation of the effectiveness of the Board of Directors and Audit & Supervisory Board, and recognition of issues ● Appropriateness of cross-shareholdings (rationale for holding and reduction policy)
Shareholders, capital policy and IR	● Convocation of the General Meeting of Shareholders and agenda ● Condition of the exercise of voting rights on agenda items at the General Meeting of Shareholders ● Business reports, financial statements, etc.	● Dividends and interim dividends (policy and approach to shareholder returns) ● IR activity policy and results (evaluation of initiatives to enhance corporate value through IR activities)
Sustainability and human capital	● Renewable energy measures (effect on operations) ● Biodiversity preservation initiatives (risk and opportunity assessment)	● Initiatives to rebuild a safety culture (recognition of issues and effectiveness of measures) ● Status/assessment of health and productivity management roadmap and initiatives
Risk management and internal control	● Appropriateness of risk response ● Operational status of basic policy on the development of internal control systems and areas for improvement	● Operational status of the whistle-blowing system and its reflection in governance ● Approval and report on transactions involving a conflict of interest (supervision of appropriateness) ● Appropriateness of auditor/audit policy and audit plan, audit results

Content of discussions at the Board of Directors

Toward profit improvement and structural reform in the Americas

The Board of Directors identified strengthening the profitability of our North American operations as one of its top priorities, and regularly reported on and discussed progress throughout fiscal 2026. Recognizing that it has become difficult to improve profitability through conventional methods alone due to changes in the market environment and increasing human resource mobility, a series of multifaceted discussions were held involving outside directors and outside Audit & Supervisory Board members.

Main comments

Outside Director: The newly introduced CxO system will clarify the division of responsibilities with the site managers. I hope that the CxOs responsible for the cost KPIs of each function will contribute to the improvement of the group's overall profitability, providing added value to each plant as a "management and collaboration hub."

Outside Director: To ensure that the results of collaborative projects with Japan continue even after the projects end, it is extremely important to build a structure that enables local members to take an even more proactive role in advancing their work.

Outside Director: There is a need to refine the compensation system, including mechanisms that encourage company members to voluntarily improve productivity and receive compensation commensurate with their performance.

Outside Audit & Supervisory Board Member: It is essential to develop local staff who will lead the next generation, and it is also important to increase their sense of ownership.

Chair (Chairman): We should not only refine the organizational structure, but also deepen discussions on how to utilize various management indicators more effectively and further enhance the oversight function.

Policy of the Board of Directors

Through these discussions, we have reached a shared understanding that "if we limit our efforts to short-term recovery, it will be difficult to sustain the benefits of improvements," and we are focusing on establishing a system for continuous improvement centered on the local organizations. In addition, the Global Craftsmen Team, which reports directly to the President, provides intensive support for unprofitable sites and high-complexity challenges, driving the advancement and horizontal rollout of on-site improvements. Signs of improvement are beginning to appear in certain KPIs as training measures and on-site improvement activities become embedded, and the results of local teams' initiatives are also gradually becoming evident. In fiscal 2027, we will further enhance the effectiveness of improvements and continue to transition toward a sustainable profit structure.

Corporate governance

Audit & Supervisory Board member, Audit & Supervisory Board



Number of meetings held in FY2026: 14

Ratio of outside officers: 60%

The Audit & Supervisory Board consists of two standing Audit & Supervisory Board members and three outside Audit & Supervisory Board members, and the lead standing member serves as Chair.

At the Audit & Supervisory Board, consideration is given to matters including the audit policy and audit plans, status of development and operation of internal control systems, risk management, response to misconduct and compliance, accounting auditors' audit methods, and the appropriateness of audit results. In addition, Audit & Supervisory Board members conduct audits globally in accordance with the audit policy and annual plan, and in fiscal 2026, to leverage in particular the specialized expertise of our outside Audit & Supervisory Board members, we expanded opportunities for audits of internal divisions and subsidiaries in and outside Japan in addition to exchanges of views with directors and the internal auditing department, with the aim of further improving audit quality. Furthermore, from the perspective of enhancing corporate value over the medium to long term, we conduct effectiveness assessments of the Audit & Supervisory Board and incorporate the results into the audit policy and audit plan for the following fiscal year. In doing this, we aim to improve the effectiveness of audits, thereby contributing to the company's sustainable growth and corporate value enhancement.

Main discussions at Audit & Supervisory Board in FY2026 (excluding audit reports)

General management	● Status and appropriateness of company member safety and health management, and environmental management initiatives
Internal control and auditing	● Appropriateness of basic policy on the development of internal control systems ● Status of risk management (effectiveness of the structure and operation) ● Status of global internal auditing system (implementation status and operational effectiveness) ● Subsidiaries in and outside Japan audit results, and response to issues ● Status and effectiveness of fraud management
Others	● Evaluation of the effectiveness of the Audit & Supervisory Board, and recognition of issues ● Appropriateness of reappointment of accounting auditor

Evaluation of the effectiveness of the Audit & Supervisory Board, and recognition of issues

In accordance with the auditing standards for Audit & Supervisory Board members, we establish evaluation items each year and conduct a multifaceted and objective evaluation of effectiveness with a view to strengthening corporate governance and enhancing corporate value. Based on the results of questionnaires and interviews with all (including outside) Audit & Supervisory Board members, and following discussions at the Audit & Supervisory Board, we concluded that the system is functioning effectively overall. At the same time, we recognize that holding regular discussions with outside directors and ensuring that internal and external stakeholders understand our audit activities are key issues, and we are working to make improvements by sharing these issues with the Board of Directors.

Management Advisory Council



Number of meetings held in FY2026: 3

Ratio of outside officers: 67%

The Management Advisory Council has been established as an equivalent body to the Compensation Committee and the Nomination Committee. To incorporate independent perspectives, the Management Advisory Council is composed of four outside directors (Junko Shiokawa, Takafumi Seto, Yasuhiko Yamazaki, Hiroko Ohmura), along with two internal directors (Chairman Shuhei Toyoda and President Masayoshi Shirayanagi), with independent outside directors making up the majority. The Chairman serves as the Chair of the Management Advisory Council.

The Management Advisory Council, as an advisory body to the Board of Directors, deliberates on important corporate strategies and issues, the selection and dismissal of management, compensation, succession planning and other matters, and has the authority to determine the amount of individual compensation for directors upon resolution by the Board of Directors.

Furthermore, the regulations of the Management Advisory Council established in December 2018 stipulate the members of the Management Advisory Council and the content of its agenda.

Main discussions at Management Advisory Council in FY2026

Officer compensation	● Appropriateness of compensation criteria for directors and operating officers ● Percentage of monetary compensation and number of shares under the transfer-restricted stock compensation plan for directors (excluding outside directors)
Organization & structure	● Appropriateness of the structure of directors and Audit & Supervisory Board members, and of the organizational structure ● Selection of individuals for promotion to operating officer and approach to human resource development ● Approach to balance of skills in the composition of officers ● Consideration of enhancements to the governance structure (division of roles between executive and supervisory functions, and organizational design)

Approach to the division of roles between executive and supervisory functions, and organizational design

The Management Advisory Council deliberates on important matters such as officer appointments, compensation, and succession planning, while also engaging in ongoing discussions regarding the approach to organizational design.

In these discussions, a key focus is on strengthening the governance structure while taking into account the interests of minority shareholders, including the appropriate level of involvement by independent outside directors and improving the transparency of decision-making processes.

Going forward, we will continue to review our organizational structure with a focus on effectiveness, and work to further enhance governance.

Directors, Audit & Supervisory Board members and Operating Officers, and skill matrix

Basic approach

This table defines the experience and expertise (skills) that Toyota Boshoku requires in the Board of Directors to realize our 2030 Target. We defined essential skills in 10 fields for the purpose of achieving continued growth amid the changing business environment, encompassing elements linked to execution of our 2030 Medium-Term Business Plan and enhancement of corporate value.

Going forward, we will revise the skill items as required in response to changes in the business environment and strategies, in efforts to strengthen the functionality of the Board of Directors and to boost sophistication of governance.

Skill	Experience & knowledge concept	Requirements
Corporate management	Management discernment to achieve sustained growth in a changing business environment	Management experience and achievements in Japan and outside Japan
Global	Business management experience at sites outside Japan and global knowledge	Experience as a site manager or similar at a subsidiary outside Japan
R&D	Engineering ingenuity to create comfortable and safe interiors	Able to contribute as an Interior Space Creator
MONOZUKURI (manufacturing)	Manufacturing and engineering capability to consistently offer high quality products	Experience as a plant manager and in production engineering, etc.
Sales and purchasing	Sales and procurement capabilities to collaborate with business partners while striving to reduce environmental impact	Able to innovate through sales and procurement activities
Finance and Accounting	Financial strategy capabilities to boost capital efficiency and profitability	Able to execute highly transparent financial governance
HITOZUKURI (human resources)	Drive human resource development while respecting diversity and teamwork	Able to develop human resources who contribute to society
Legal and compliance	Enhance corporate value through compliance with laws and ordinances and risk management	Legal knowledge and capability in building governance structures
Environment and energy	Contribute to a sustainable society through environmental management	Environmental planning and proposal capabilities in a specialized field
IT and digital	Capable of management and business innovation through digital technology	Experience in organizational reform through the use of digital

Skill matrix

Classification	Name		Management Advisory Council	Corporate management	Global	R&D	MONOZUKURI (manufacturing)	Sales and purchasing	Finance and Accounting	HITOZUKURI (human resources)	Legal and compliance	Environment and energy	IT and digital	Number of Board of Directors, Audit & Supervisory Board attended in fiscal 2026
Chairman	**Shuhei Toyoda**		○	●	●	●	●			●				Board of Directors 13/13 meetings
President	**Masayoshi Shirayanagi**		○	●	●			●	●	●				Board of Directors 13/13 meetings
Director, Operating Officer	**Hiroki Tsunoda**			●	●	●						●	●	Board of Directors 12/13 meetings
Director, Operating Officer	**Shunichi Iwamori**			●	●		●	●	●					Board of Directors 13/13 meetings
Director, Operating Officer	**Norimichi Adachi**			●	●		●							Board of Directors 11/11 meetings*

* Since his appointment on June 11, 2025

Directors, Audit & Supervisory Board members and Operating Officers, and skill matrix

Classification	Name		Management Advisory Council	Corporate management	Global	R&D	MONOZUKURI (manufacturing)	Sales and purchasing	Finance and Accounting	HITOZUKURI (human resources)	Legal and compliance	Environment and energy	IT and digital	Number of Board of Directors, Audit & Supervisory Board attended in fiscal 2026
Outside Director	Junko Shiokawa		○		●				●		●			Board of Directors 13/13 meetings
Outside Director	Takafumi Seto		○			●	●			●		●	●	Board of Directors 13/13 meetings
Outside Director	Yasuhiko Yamazaki		○	●	●	●	●			●				Board of Directors 11/13 meetings
Outside Director	Hiroko Ohmura		○		●	●		●				●		Board of Directors –/– meetings[1]
Outside Audit & Supervisory Board Member	Hiroyuki Yokoyama			●	●	●	●				●			Board of Directors 13/13 meetings Audit & Supervisory Board 14/14 meetings
Outside Audit & Supervisory Board Member	Hiroshi Miura			●	●				●		●			Board of Directors 12/13 meetings Audit & Supervisory Board 14/14 meetings
Outside Audit & Supervisory Board Member	Yoshito Fujikawa					●			●	●	●		●	Board of Directors 13/13 meetings Audit & Supervisory Board 14/14 meetings
Standing Audit & Supervisory Board Member	Kazuo Koide			●	●			●		●		●		Board of Directors 13/13 meetings Audit & Supervisory Board 14/14 meetings
Standing Audit & Supervisory Board Member	Hidenori Ozaki			●	●			●				●		Board of Directors 11/11 meetings[2] Audit & Supervisory Board 11/11 meetings[2]

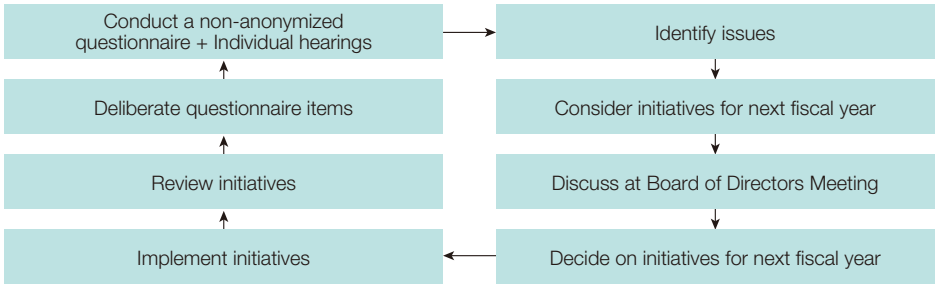
Outside Director Yasuhiko Yamazaki is an Executive Vice President of Denso Corporation, a business partner of the Company.
Outside Audit & Supervisory Board Member Hiroyuki Yokoyama was formerly Executive Advisor at Daihatsu Motor Co., Ltd., a business partner of the Company.

1 Outside Director Hiroko Ohmura was selected as an Outside Director at the 101st Ordinary General Meeting of Shareholders, held on June 12, 2026
2 Since his appointment on June 11, 2025

Evaluation results of the effectiveness of the Board of Directors

Evaluation process

Toyota Boshoku conducts annual evaluations of the Board of Directors to assess its effectiveness and drive continuous improvement, ensuring that it functions as a decision-making body that contributes to the sustainable enhancement of corporate value.



Overview of FY2026 evaluation

(1) The officer in charge of the administrative office of the Board of Directors conducts a questionnaire and interviews with all directors and Audit & Supervisory Board members, including outside members, in February.
(2) The evaluation results and the improvement measures for issues are summarized and reported to the Board of Directors in March for discussion.

Evaluation items in the Board of Directors effectiveness questionnaire

- Effectiveness of the Board of Directors
  1) Board of Directors composition
  2) Board of Directors agenda
  3) Board of Directors materials
  4) Board of Directors meeting times
- Discussions about building a value creation story
- Dialogue with shareholders and investors
- Provision of information to outside officers
- Support for outside officers
- Utilization of external organizations in effectiveness assessments

FY2025 evaluation results

Evaluations
The Board of Directors' effectiveness was confirmed to have improved through the expansion of strategic themes and the enhancement of opportunities for outside officers to be provided with information and engage in discussion.
Issues
Enhancing progress management for important matters and the sharing of risk information were identified as issues. In addition, there was a call for more thorough reporting to the Board of Directors regarding the opinions and concerns of shareholders and investors.

Initiatives in FY2026

(1) Develop an annual plan of regular progress reports
Incorporate progress on certain resolved important matters into the annual agenda schedule of the Board of Directors, and confirm systematically
(2) Promote dialogue with stakeholders
Discuss stakeholder opinions at Board of Directors meetings and formulate action plans to address them
(3) Enhance support for officers
Raise the themes proposed by outside officers during discussion of medium- to long-term strategy, leading to free and open discussions

FY2026 evaluation results

Evaluations
As well as the Board of Directors' evaluations and identified issues being incorporated into the annual agenda schedule and systematically confirmed, discussions aimed at the realization of the Interior Space Creator were promoted. There were continued opportunities for outside officers to be provided with information and engage in discussion, and effectiveness was found to have improved.
Issues
Improvement in the manner of providing reports on the progress of approved investments/new businesses and business results, as well as enhancement of information sharing regarding market and investor reactions in the context of IR activities, were identified as issues.

FY2027 priority actions

(1) Strengthen the supervisory function of the Board of Directors
We will establish a system to regularly report the progress of investments and new businesses to the Board of Directors, and strengthen its supervisory function.
(2) Enhance the content of reports on IR activities
We will build a system to organize shareholder and investor responses and market trends obtained through our IR activities, share them with the Board of Directors, and reflect market perspectives appropriately in management.
(3) Enhance support for outside officers
We will continue with our activities for promoting understanding among outside directors, including pre-board meeting explanations, site visits to various facilities, and opportunities for interaction with officers and employees.



Outside Director Shiokawa participates in overseas roadshow (Hong Kong)

In March 2026, we held roadshows for Japanese stock investors in Hong Kong and Singapore. In Hong Kong, Ms. Shiokawa, an outside director, also participated and engaged in direct dialogue with local investors alongside the CSO and others. There was a high level of interest in our growth strategy, revenue structures by region and business segment, and capital policy, and specific discussions were held regarding the future outlook in China and measures to improve earnings in the Americas. In Hong Kong in particular, meeting slots filled up quickly, confirming the high level of interest in our company as well as expectations for enhanced disclosure and ongoing dialogue.

Comments from Ms. Shiokawa, Outside Director

Through direct discussions with investors in Hong Kong, I was reminded that overseas investors place great importance on the effectiveness of our growth strategy and its alignment with our capital policy. While expectations for future growth appear to be reflected in the stock price, I believe there is room for further refinement in how we present our growth story to fully convey that potential. Going forward, we will further deepen discussion at Board meetings by incorporating investors' perspectives, thereby enhancing corporate value.



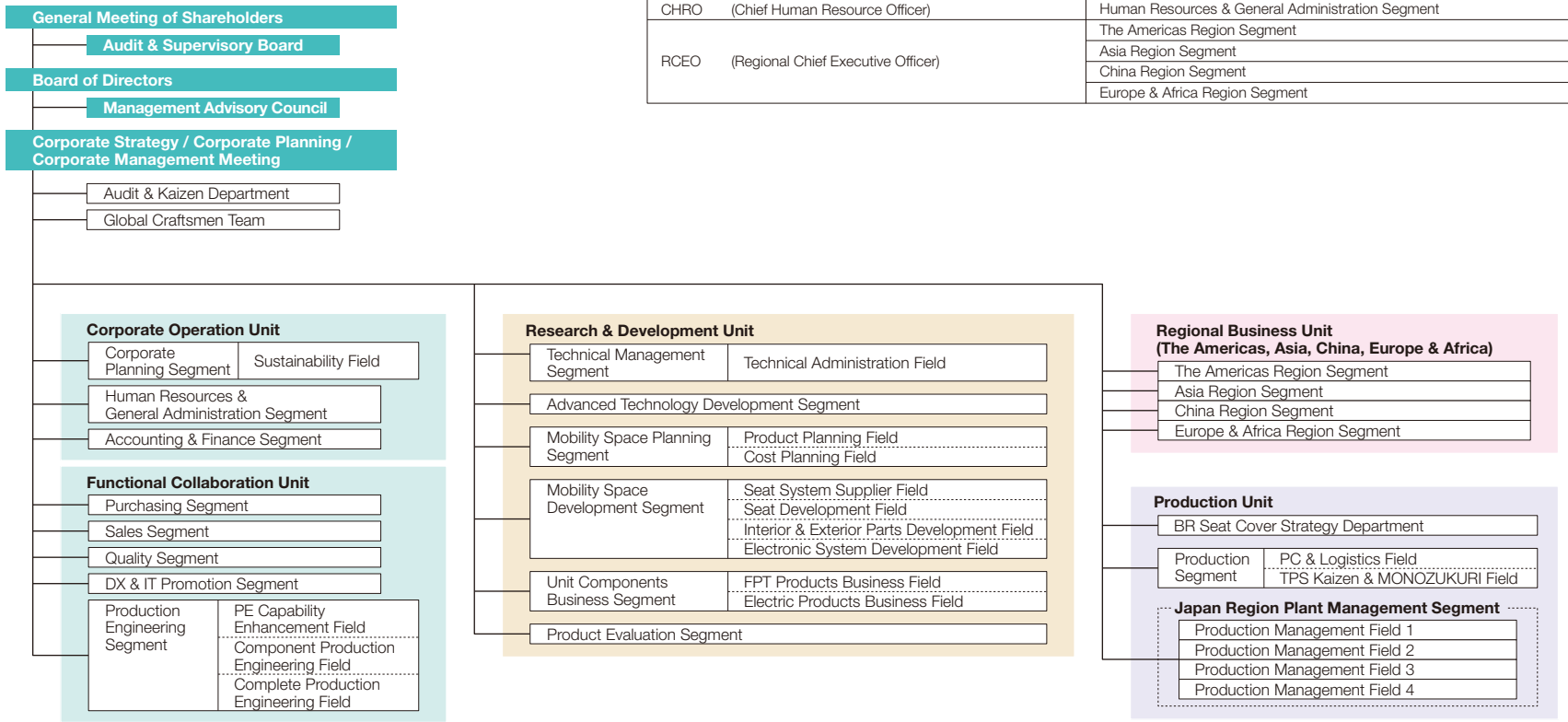
Supplementary materials & data

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Organization & Chief Officer structure

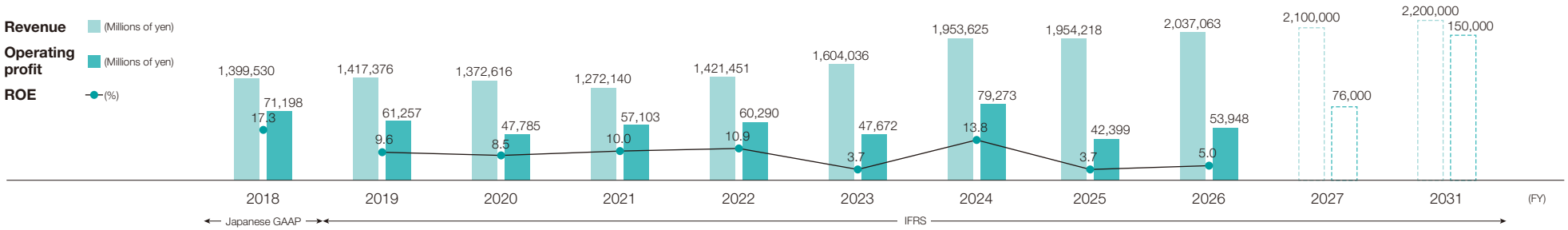
CxO		Organization management
CEO	(Chief Executive Officer)	
CRO	(Chief Risk Officer)	Audit & Kaizen Department
CTO	(Chief Technology Officer)	Mobility Space Planning Segment, Mobility Space Development Segment, Unit Components Business Segment, Technical Management Segment, Advanced Technology Development Segment, Product Evaluation Segment
CMO	(Chief Manufacturing Officer)	Production Segment, Japan Region Plant Management Segment, BR Seat Cover Strategy Department
CFO	(Chief Financial Officer)	Accounting & Finance Segment, Head of Revenue for Japan Region
CDO	(Chief Digital Officer)	DX & IT Promotion Segment
CPEO	(Chief Production Engineering Officer)	Production Engineering Segment
CSO	(Chief Strategy Officer)	Corporate Planning Segment
CIO	(Chief Innovation Officer)	Responsible for innovation and new business ventures
CQO	(Chief Quality Officer)	Quality Segment
CPO	(Chief Purchasing Officer)	Purchasing Segment
CCO	(Chief Customer Officer)	Sales Segment
CHRO	(Chief Human Resource Officer)	Human Resources & General Administration Segment
RCEO	(Regional Chief Executive Officer)	The Americas Region Segment
		Asia Region Segment
		China Region Segment
		Europe & Africa Region Segment

Organization Chart (As of June 1, 2026)



Progress of medium-term business plan

		Elements of our strategy	Main Achievements & Remaining Issues
2020 Business Plan	**2016** **Aiming for sustainable growth**	• Perform action to achieve corporate growth while fulfilling our responsibility in harmony with society, strengthen management foundation, strengthen competitiveness, offer multi-dimensional value, and expand business fields • Establish a corporate structure capable of securing an operating profit ratio of 5% or higher • Focus on the development of new products and technology that anticipate the mobility environment of 2030 • Pay particular attention to environmental actions	**Achievements** • Strengthening competitiveness and management foundation, and steadily increasing earning power • Creation of the Business Management Structure, and maintaining a target management structure that is consistent and integrated, from individual sites all the way up to the management level • Creation of a stable, resilient BCP that can appropriately respond to unforeseen circumstances • Acceleration of cooperation and coordination between various divisions in relation to design, production engineering, and quality, thanks to completion of construction of the MONOZUKURI Innovation Center. Optimization of production and manufacturing preparations, thanks to use of digital technology. • Strengthening advanced development to envision and prepare for 2030, including cooperation with the Toyota Group (MX191) **Issues** • Maintaining our management information infrastructure • Further promoting of vibrant work style innovation
2025 Medium-Term Business Plan	**2021** **Shifting to "CSV management" with the aim of realizing materialities and enhancing corporate value**	• Strengthen corporate structure by reinforcing existing core businesses • Pursue safety, environment and comfort, thereby evolving into a trusted supplier capable of offering optimal proposals to customers • Differentiate our products based on thorough competitor benchmarking, expand sales to strategic OEMs other than Toyota Motor Corporation • Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives • Improve operational quality through efforts to win the Deming Prize • Establish a resilient global management foundation and develop human resources to support sustainable growth	**Achievements** • Reorganization of the seat frame mechanism components business; transfer of commercial rights and production from Aisin Corporation and Aisin Shiroki Corporation • Acceleration of development based on our technology roadmap towards becoming the Interior Space Creator • New value creation for the MaaS market (MX221) • Unit Components Business awarded the Deming Prize (November 2021) **Issues** • Realization of Interior Space Creator • Association of initiatives for resolution of social issues to corporate value enhancement • Sales expansion to companies other than Toyota Motor Corporation
2030 Medium-Term Business Plan	**2023** **Formulate our 2030 Target and 2030 Financial and Non-financial Targets with an eye on changing values relating to mobility interior spaces and the future society**	• Enhance planning & proposals capability for comfortable mobility interior space and R&D capability for realizing it • Acquire MONOZUKURI competitiveness to be trusted and selected throughout our supply chain • Strengthen sales capability to expand the range of products and customers • Strengthen the management foundation to support growth	**Main initiatives** • Ascertaining technologies we should acquire ourselves or through collaboration with other companies, applying these in our product roadmap, and driving development towards becoming the Interior Space Creator • Expanding order-taking activities for companies other than Toyota Motor Corporation **Issues** • Realization of Interior Space Creator



10-year summary

	Japanese GAAP		IFRS							Millions of yen
FY Years ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	1,357,913	1,399,530	1,417,376	1,372,616	1,272,140	1,421,451	1,604,036	1,953,625	1,954,218	2,037,063
Operating profit	71,936	71,198	61,257	47,785	57,103	60,290	47,672	79,273	42,399	53,948
Profit attributable to owners of the parent	45,359	42,762	27,457	24,786	31,188	39,260	14,679	58,521	16,719	23,271
Total assets	691,921	744,558	793,599	780,714	845,778	964,740	1,007,392	1,128,491	1,094,831	1,182,385
Capital stock	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Total equity	276,274	308,620	329,329	321,701	369,650	423,835	436,894	493,642	490,067	529,068
Capital investment	35,500	52,095	61,341	58,715	46,731	38,326	50,773	74,325	78,101	68,026
Depreciation	36,228	34,755	35,153	37,575	38,194	40,386	44,965	49,695	52,161	48,727
R&D expenses	37,884	47,393	46,965	45,902	41,831	44,845	47,306	50,350	55,108	61,375
Per Share Data (Yen)										
Basic earnings	244.28	230.27	147.85	132.88	166.93	210.15	78.57	315.17	93.65	130.30
Diluted earnings*	244.27	–	–	–	–	210.13	78.56	315.12	93.63	130.27
Cash dividends	50.00	54.00	56.00	54.00	45.00	64.00	70.00	86.00	86.00	86.00
Dividend payout ratio (consolidated) (%)	20.5	23.5	37.9	40.6	27.0	30.5	89.1	27.3	91.8	66.0
Equity attributable to owners of the parent	1,240.77	1,414.91	1,573.44	1,557.93	1,792.56	2,066.53	2,144.33	2,518.57	2,504.56	2,716.10
Cash Flow (Millions of yen)										
Net cash provided by operating activities	95,389	86,117	60,720	79,673	74,483	122,933	89,428	174,898	121,834	142,965
Net cash provided by (used in) investing activities	(48,927)	(51,707)	(58,915)	(54,175)	(51,392)	(40,893)	(36,461)	(86,698)	(60,955)	(75,499)
Net cash provided by (used in) financing activities	(61,347)	(3,528)	(19,526)	(13,964)	2,756	(48,664)	(40,812)	(91,595)	(54,377)	(48,358)
Cash and cash equivalents	144,889	178,372	158,192	163,377	195,180	237,952	248,195	244,191	249,721	278,507
Financial Indicators (%)										
Ratio of operating profit to revenue	5.3	5.1	4.3	3.5	4.5	4.2	3.0	4.1	2.2	2.6
ROE: Ratio of profit to equity attributable to owners of the parent	21.2	17.3	9.6	8.5	10.0	10.9	3.7	13.8	3.7	5.0
Ratio of equity attributable to owners of the parent	33.3	35.3	36.8	37.3	39.6	40.0	39.8	39.8	40.9	41.0
Price earnings ratio (PER)	10.6	9.5	11.3	9.7	11.0	9.5	27.2	8.1	21.2	18.5
Shareholders' Equity (at fiscal year-end)										
Number of shares issued (Thousands)	187,665	187,665	187,665	187,665	187,665	187,665	187,665	187,665	187,665	187,665
Number of shareholders	12,226	13,287	14,066	14,715	16,177	15,959	16,123	24,196	38,687	29,394
Stock price (yen)	2,583	2,184	1,675	1,287	1,830	2,002	2,137	2,569	1,988	2,411

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

10-year summary

FY Years ended March 31	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Number of group members (excluding temporary company members)	41,428	41,409	43,103	44,375	44,154	44,264	44,581	46,972	45,004	45,521
GHG emissions (Scope 1, 2) (t-CO_2e)*	324,528	330,235	322,977	318,431	304,455	307,218	255,804	242,839	207,771	182,738
Amount of waste (t)	23,727	24,018	24,925	25,458	23,086	23,217	26,737	30,138	28,392	27,782
Water withdrawal (thousand m^3)	4,143	4,321	3,994	3,731	3,590	3,266	3,369	3,415	3,012	2,441
Percentage of local company members holding executives (officer, manager) positions at overseas business sites	–	14	19	23	25	25	21	29	29	29
Number of women at management positions (Toyota Boshoku)	–	17	20	23	24	29	33	35	40	52
Number of female group manager level (Toyota Boshoku)	–	53	51	55	57	65	64	74	92	102
Number of patents held (Japan)	1,941	2,112	2,174	2,195	1,924	1,760	1,899	2,312	2,399	2,414
Number of patents held (outside Japan)	1,207	1,371	1,546	1,753	1,589	1,476	1,502	1,791	1,845	1,889

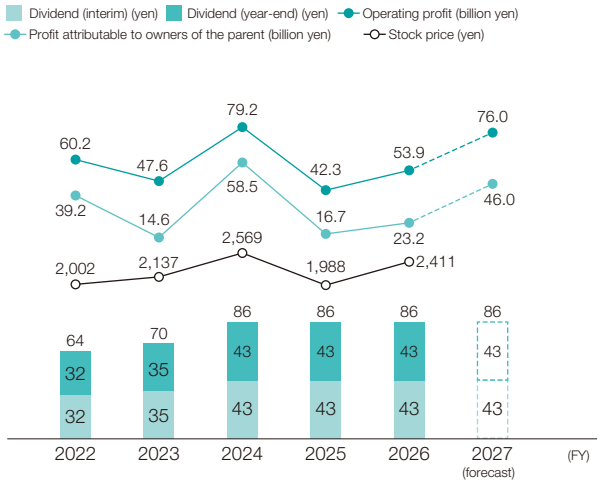
* Third-party assurance obtained on the basis of CO_2 emissions until fiscal 2023

Stock and corporate information

Corporate data

Location	1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
Capital	8.4 billion yen
Number of company members (excluding temporary company members)	8,655 (non-consolidated) 45,521 (consolidated) (As of March 31, 2026)
Founded	1918
Established	1950
Independent auditor	PricewaterhouseCoopers Japan LLC

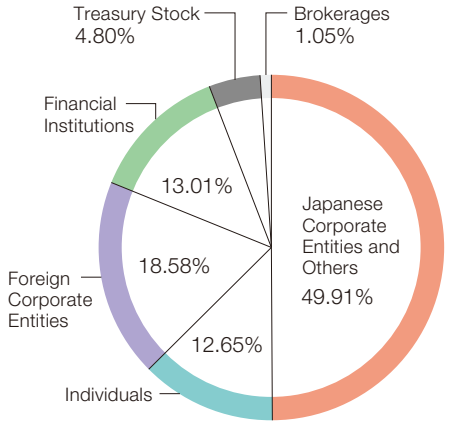
Trends in dividends, operating profit, profit attributable to owners of the parent and stock price



Stock information

Number of shareholders	29,394 (as of March 31, 2026)
Number of shares authorized to be issued	500,000,000
Number of shares outstanding	178,659,699 (as of March 31, 2026) (excluding treasury stock of 9,006,039)
Business year	April 1 to the following March 31
Ordinary General Meeting of Shareholders	Every June (The event is held to avoid dates on which many such shareholders' meetings are usually held)
Stock exchange listings	Tokyo Stock Exchange Prime Market, Nagoya Stock Exchange Premier Market
Securities code	3116
Payment of dividends	March 31 (Interim dividends, when paid, are paid as of September 30.)
Custodian of the shareholders' register	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of shareholders



Major shareholders (Top 10) (As of March 31, 2026)

Name of shareholder	Number of shares held	Shareholding ratio
Toyota Motor Corporation	57,931 (Thousands)	32.43%
Toyota Fudosan Co., Ltd.	18,346	10.27
The Master Trust Bank of Japan, Ltd.	15,425	8.64
Toyota Industries Corporation	7,756	4.34
NHK SPRING CO., LTD.	7,220	4.04
Custody Bank of Japan, Ltd.	6,339	3.55
Toyota Boshoku Employees' Shareholding Association	4,101	2.30
STATE STREET BANK AND TRUST COMPANY 505001	3,278	1.84
HSBC-FUND SERVICES HSBC - 006 MF EFM	2,750	1.54
BBH (LUX) FOR FIDELITY FUNDS - JAPAN ADVANTAGE POOL	2,627	1.47

Notes:
1. The Company holds 9,006 thousand shares of treasury stock; these are excluded from the above major shareholders.
2. Calculations of shareholding ratios exclude treasury stock.

Editor's note

Thank you for taking the time to read through the Toyota Boshoku Report 2026.
Toyota Boshoku investor relations and other departments produced this report based on dialogue and discussions with shareholders and investors throughout the year and comments and views expressed by all stakeholders. The report was carefully prepared to provide a clear presentation of our efforts to create sustainable value and to reaffirm what makes Toyota Boshoku unique.
We hope this report will contribute to ongoing constructive dialogue with shareholders, investors, and all stakeholders.

November 2026
Toyota Boshoku Report 2026 Production Team

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