

TOYODA GOSEI REPORT 2022



We are a global company that delivers satisfaction to customers worldwide through safety, comfort, well-being and the environment

The Toyota Gosei Group continues to meet the needs of society through the provision of automotive and other products using rubber and plastic technology.



Company Creed

Boundless Creativity and Social Contribution

Management Philosophy

Good corporate citizenship

We, as a good corporate citizen, contribute to the economy and society through community-based business activities and social action programs.

Proper business operation

We promote business operations with integrity through the establishment of a system founded on thorough compliance and corporate ethics.

Sustainable growth

We aim to build up the TG Group's collective strength through an open and fair relationship with suppliers, through a mutually strengthened corporate structure and innovative management response to change.

Customer satisfaction

We aim to provide products and services with satisfying quality and price in a timely manner, through forward-looking R&D and production engineering.

Conservation of global environment and resources

We aim to conserve the global environment and resources in order to hand down a greener world to our children through every business activity, which includes cooperation with society and the development of an environment friendly product and manufacturing process.

Respect for the individual

We aim to establish a vibrant corporate culture through respect for individuality and the value of enhanced teamwork, based on shared responsibility and mutual trust between employees and management.



The company logo was modeled after the "benzene nucleus," a chemical compound consisting of six carbon atoms. Even very active and unstable chemical substances become stable in a hexagonal form, and the logo symbolizes our vigor and stability.

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TOYODA GOSEI REPORT 2022



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Editorial Policy

This report was compiled with the aim of providing shareholders, investors, and all other stakeholders with a deeper understanding of the Toyoda Gosei Group. It describes the FY2021 business performance of the Toyoda Gosei Group and explains the Group’s strategy and initiatives for creating medium- and long-term value. Since the 2018 report was issued, the Toyoda Gosei Report has been compiled as an integrated report. We have tried to make it straightforward and globally understandable, with reference to the International Integrated Reporting Framework (International Integrated Reporting Council (IIRC)) for the IR section and the GRI Standards (Global Reporting Initiative) for the ESG section.

Period covered by report

April 1, 2021 to March 31, 2022
Past initiatives and the latest information are given as needed to promote understanding of disclosed content.

Scope

In principle, this report covers 61 Toyoda Gosei Group companies: Toyoda Gosei Co., Ltd. and its 60 domestic and overseas subsidiaries and affiliates. The scope is outlined individually for some items.

Date of issue

January 2023
Last published in December 2021; issued once a year

Reference guidelines




- International Integrated Reporting Framework (International Integrated Reporting Council (IIRC))
- GRI Standards (Global Reporting Initiative)
- Environmental Reporting Guidelines, 2018 Edition (Ministry of the Environment, Japan)
- Environmental Accounting Guidelines, 2005 Edition (Ministry of the Environment, Japan)

* Environmental data/examples are available on our website. For CO₂ emissions we received third-party verification. <https://www.toyoda-gosei.com/csr/environmental/report1/>

Disclaimer

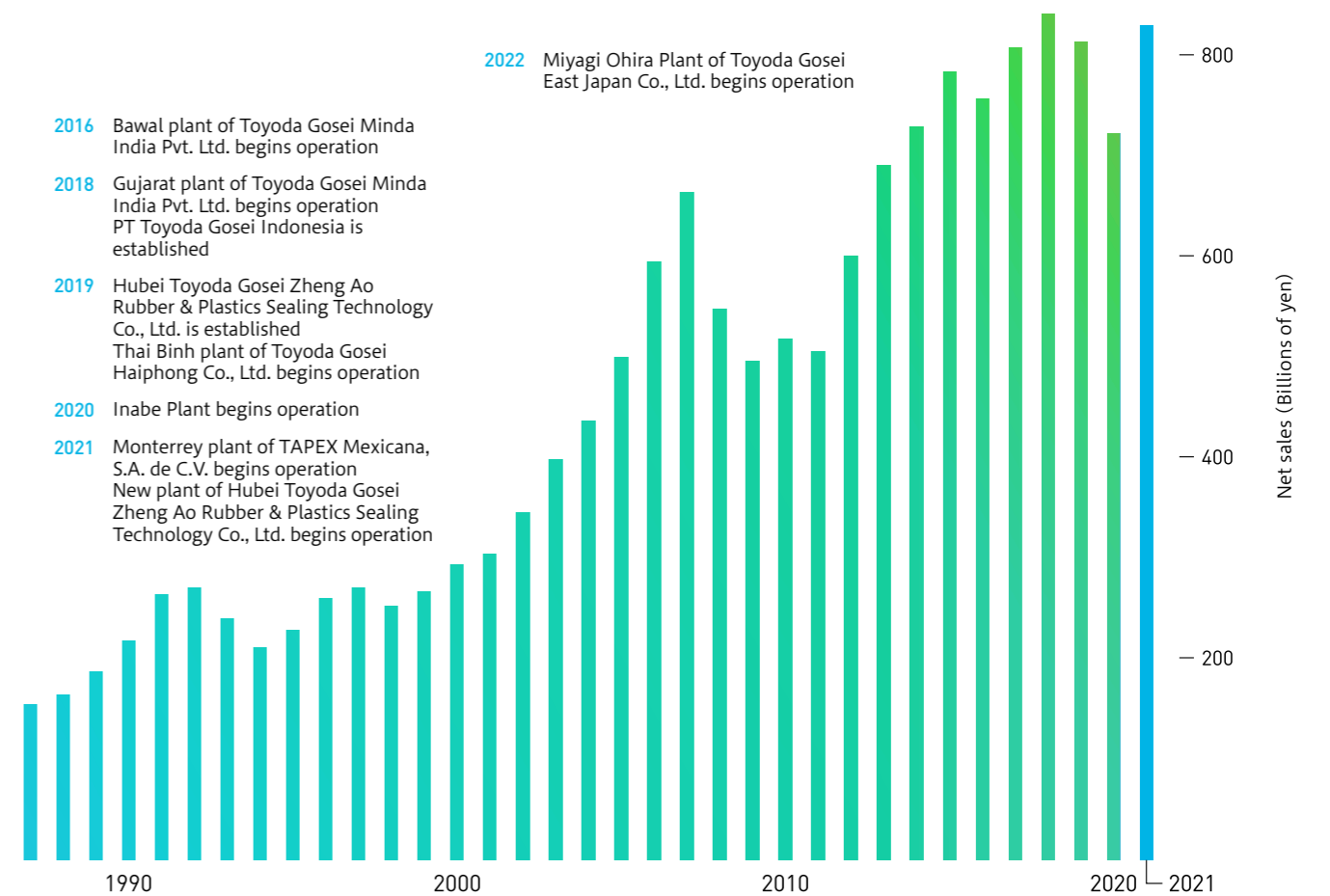
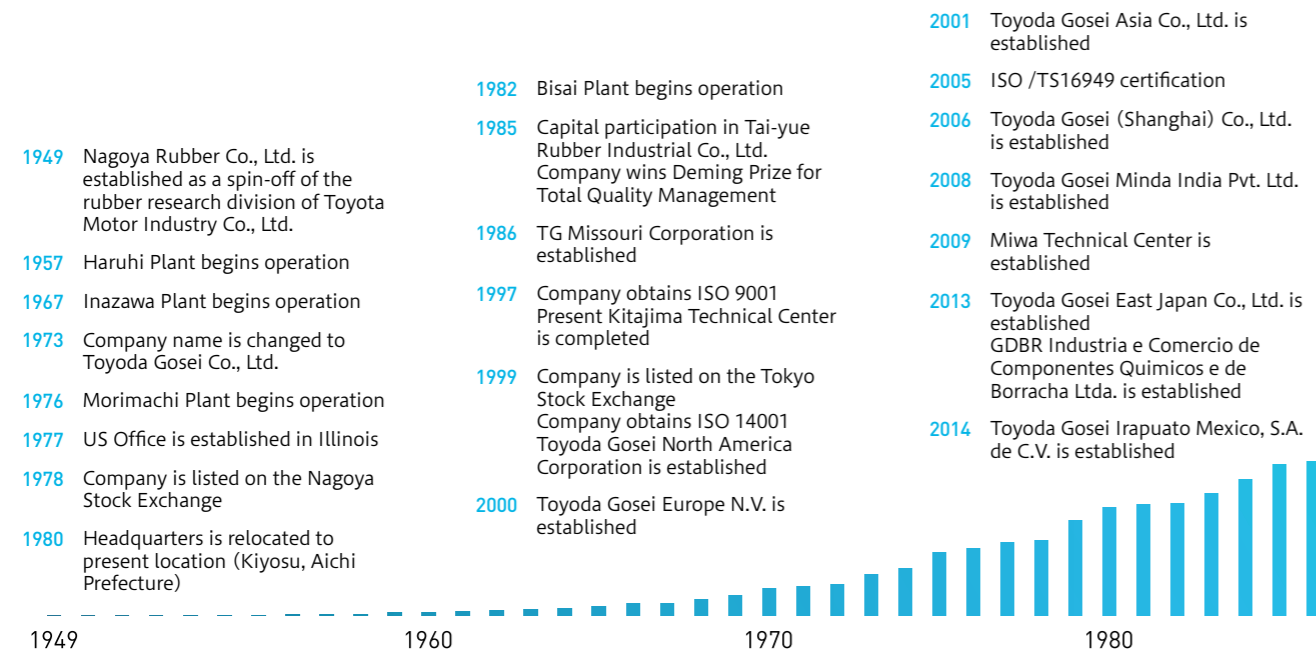
Careful attention was paid to the content of this Report, but accuracy and the timing of updates are not guaranteed and Toyoda Gosei shall bear no responsibility for trouble, loss, or damage resulting from updates or errors in the information herein.

Positioning of This Report

<p>Financial information</p> <p>Website Shareholder and investor information https://www.toyoda-gosei.com/ir/</p>  <p>Financial statement, securities report, more</p>	<p>Non-financial information</p> <p>Website Sustainability https://www.toyoda-gosei.com/csr/</p>  <p>Environment/Social/Governance, more</p>
<p>Toyoda Gosei Report https://www.toyoda-gosei.com/csr/dl/</p> 	

History of Toyoda Gosei

Toyoda Gosei has exploited its expertise in rubber and plastics and provided new value to the world that meets the needs of the times.



Development history of technologies and products

Automotive parts

Rubber

- 1953 Brake hoses
- 1961 Piston cups
- 1977 Constant velocity joint boots
- 1983 Nylon fuel hoses
- 2011 Lightweight radiator hoses

Plastics

- 1950 Weatherstrips
- 1963 Flocked glass runs
- 1982 Sound insulating glass runs
- 2003 Two-color molded opening trims
- 2010 Lightweight opening trim weatherstrips
- 2017 Glass runs for flush surface door

New fields

- 1954 Plastic injection steering wheels
- 1960 PP steering wheels
- 1974 Instrument panels
- 1982 Plastic fuel filler caps
- 2000 Noise absorbing air intake ducts
- 2008 Plastic fuel filler pipes
- 1989 Driver-side airbags
- 1998 Curtain airbags
- 2008 Rear-end impact airbags
- 2010 Start of R&D for GaN power devices
- 2014 Profs. Isamu Akasaki and Hiroshi Amano (Toyoda Gosei technical advisors) receive Nobel Prize in Physics
- 2017 Steering wheels with grip sensor / New type of side airbags
- 2020 UV-C space disinfectors, which use UV-C (deep UV) LEDs, are launched UV-C (deep UV) LEDs are confirmed to be highly effective in inactivating COVID-19
- 2021 UV-C high-speed surface disinfectors
- 2022 Success in making larger GaN substrates for next-generation power devices

- 1986 Start of R&D for blue LEDs
- 1991 Success in development of blue LEDs is certified
- 2007 Start of R&D for e-Rubber

- 2014 Plastic water pipes
- 2015 Capless fuel fillers
- 2017 Large radiator grilles
- 2018 Air conditioner registers with LED lighting
- 2019 Plastic turbo ducts / Battery cases
- 2020 Extra-large spindle grilles
- High pressure hydrogen tanks
- 2022 CNF-Reinforced Plastic

- 2019 Development with EBM Corp. of the Super BEAT heart surgery simulator that uses e-Rubber
- 2021 Smart insoles

- 2021 Driver-side airbags for better protection in angled frontal collisions / Pedestrian protection airbags

Businesses and Locations

We supply rubber and plastic automotive parts globally.

Product area

Automotive parts

Weatherstrips

¥93.7 billion (11.3%)



Door glass runs



Opening trim weatherstrips

Functional Components

¥145.2 billion (17.5%)



Plastic turbo ducts



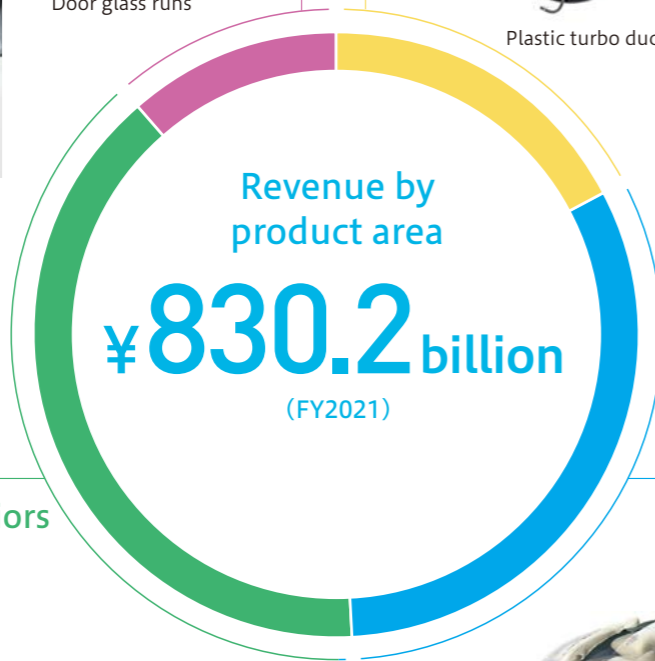
Plastic fuel filler pipes



Brake hoses



High pressure hydrogen tanks



Interiors and Exteriors

¥328.0 billion (39.5%)



Instrument panel modules and components



Console boxes



Radiator grilles



Steering wheels (with built-in airbags)



Airbags



Pop-up hood actuators

Safety Systems

¥263.1 billion (31.7%)

Other products



LEDs



General industry products



e-Rubber products



Re-S eco-brand

Global network

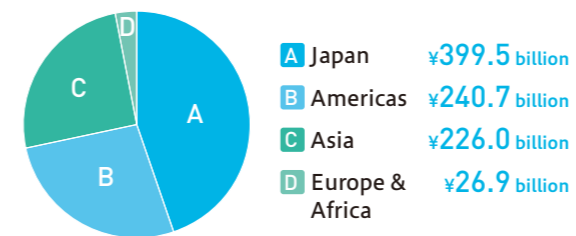
With 61 group companies in 16 countries and regions, Toyota Gosei swiftly meets the needs of customers around the world.

We have established sales and engineering systems that are customer-oriented and community-based with globally optimal systems of production and delivery.



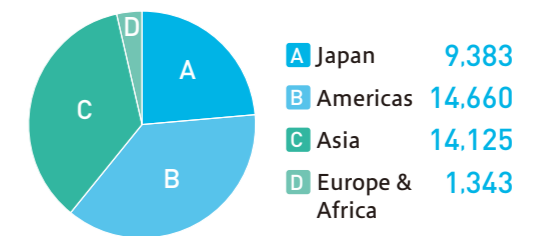
Sales by region (FY2021)

¥830.2 billion



Employees by region (FY2021)

39,511



*Rounded down to the nearest one hundred million yen

*Sales by region includes amounts for internal transactions within the Toyota Gosei Group, and so does not match the total value for consolidated sales

Letter from the President



Toru Koyama
President

Creating a path to the future by offering solutions to environmental and social issues through cooperation with our stakeholders

Our mission is leveraging our expertise in rubber and plastics to help resolve social issues

Toyoda Gosei has been offering high-quality automotive parts with synthetic rubber and plastics using our rubber and plastic material technologies for more than 70 years. The word “Gosei” (synthesis) expresses our philosophy of creating new things with these materials. That mindset has been passed on to the present day.

Under the company creed of “Boundless Creativity and Social Contribution,” Toyoda Gosei’s mission is to promptly grasp society’s needs and help to solve social issues with the leading-edge technologies and products we have cultivated and contribute to a sustainable environment and society. This will lead to sustainable growth for our company. It is important for us to anticipate changes and social issues five to ten years into the future, form an image of how we can contribute solutions and the strengths we can leverage, and promote our business models and grow our company while enhancing our competitive advantages (▶P.20) (Value Creation Process ▶P.16).

For example, one of our longstanding goals has been a safe, secure, and comfortable mobility society by reducing traffic fatalities, as expressed in the section on materiality (▶P.22). Through this, our airbag business has grown to acquire the top market share in Japan and 4th globally.

In Toyoda Gosei’s first project to develop a driver’s airbag in the late 1980s, I was involved as one of its members working.

At that time, we had experience with steering wheels, instrument panels and associated material technology, but airbags were completely new to us. Our knowledge of vehicle occupant protection systems and other safety technologies was limited, and our evaluation and analysis technology was weak. The cornerstone of our project was the spirit of delivering the airbags needed by customers as quickly as possible and a sense of mission to “save lives.”

Airbags are effective when installed in vehicles. Accordingly, we worked to comprehensively overcome issues in conjunction with vehicle and seat belt systems after closely studying how they are used in the market through occupant protection performance in crash tests. Finally, we achieved mass production.

Since then, we have worked continuously to spread our airbags through efforts to lower costs and build a supply chain that achieves the same quality globally.

In order to further reduce traffic fatalities, we have been developing new airbags by leveraging our accumulated technologies and our global development and assurance system. With a sincere concern for safety, we have pursued the potential of airbags to reduce casualties and protect vehicle occupants through analysis of global traffic fatality data, repeated computer-aided engineering analyses and test trials, and much discussion with and numerous proposals to customers.

From this new airbag business development, I learned that helping to solve social issues and other issues leads to corporate growth. We will embrace the actual problems for many people and propose solutions based on market conditions. We will then spread solutions throughout the world while continuing to develop our technology. This will lead to the sustainability of our business. Our spirit of taking on challenges, our know-how, and the global network we have developed are the source of our present competitiveness.

Solving major social issues through cooperation with our stakeholders

Stakeholders have steadily rising expectations of companies to help solve social issues. For Toyoda Gosei, a manufacturer of polymer automotive parts, our next big challenge is to achieve carbon neutrality.

As we address this difficult social issue, it is important to cooperate with our stakeholders in order to improve problem-solving ability, competitiveness, and speed.

I myself became keenly aware of the importance of cooperation with stakeholders through the development of airbags. This is why I believe one of my important roles as a leader is to build relationships with all stakeholders involved in our business, including customers, suppliers, employees, and local communities. For this purpose, I will share the company’s future vision and direction, and align our ideas with them through continuous dialog to achieve corporate growth and help solve social issues.

With the transformation of automobiles and the dramatically changing business environment, it is more important than ever to demonstrate to stakeholders the company’s direction and to undertake our initiatives with a sense of urgency. As the leader of the company, I will clearly present our medium- to long-term business plan as a means to share and gain understanding of our initiatives and promote solutions to the challenges we face in creating a sustainable society.

Achieving our 2025 Business Plan

A look back on FY2021

In FY2021, it was difficult to ensure profits on a global basis. The spread of COVID-19 caused a global semiconductor shortage and opaque production fluctuations. There were also soaring prices and a tight market for raw materials, along with rising energy, transportation costs, and labor costs.

Even in this harsh environment, we have been urgently working on business continuity plan (BCP) management to provide stable and timely production and quality, the lifeline of manufacturing, to our customers. Specifically, we have implemented continuous improvements through regular discussions on BCP at management and board meetings, and we have enhanced our ability to supply customers even during material shortages brought on by political instability or COVID-19 pandemic. We do this by utilizing our global network to procure alternative parts and establish backup production systems. In addition, to ensure global optimization and rapid responses, we have been reviewing our organization to strengthen global information collaboration and internal controls at affiliates in Japan and other countries, and developing regulations and systems to ensure investment decisions and fund procurement to avoid loss.

We are now beginning to see challenges in terms of profitability. It is extremely frustrating that we were unable to secure profits commensurate with the recovering trend in sales. Profits decreased due to worsening materials market conditions in the Americas, one of our primary sources of revenue, and a lack of flexible response to production fluctuations. This was despite an increase in net sales from FY2020 with the recovery in production following the significant drop caused by COVID-19 pandemic and growing sales in our non-automotive business. In order to efficiently secure profits in the coming years, we will make significant efforts to shrink losses from variable costs by responding flexibly to material market conditions and production fluctuations, and to reduce total costs through thorough cost improvement.

We will continue to make concerted efforts to build a foundation for efficient earning. While exploring new ideas for manufacturing that go beyond precedent or convention, we are making efforts to utilize IT for rapid improvements through timely visualization of productivity, yield, and defects. We are also expanding smart factories globally with more efficient work styles, environments, and information management.

Over the past year, the situation of the automotive industry has been changing dramatically. Our main customer announced their BEV strategy, and the ongoing transformation of automobiles has accelerated significantly.

Taking these unprecedented changes in the automotive business as an opportunity for growth, we will seek to enhance our ability to make farsighted proposals centered on carbon neutrality and responding to the shift to BEVs (▶P.26). We will also enhance our corporate capabilities by planting seeds for the future and solidifying our management foundation.

Forecast for achieving our 2025 Business Plan

We have reached the halfway point in our 2025 Business Plan (▶P.32), published in 2018. We have been working toward our goals of achieving revenue of more than 1 trillion yen, operating profit ratio of 8%, and ROE of 10%. Looking back over the past four years, the business environment has changed more dramatically than we had anticipated. We have asked each employee to think and act on their own with a sense of ownership and to be united in working on our policies and business plans. These initiatives have begun to bear fruit, and sales revenue of 1 trillion yen is now within sight. The safety systems business, a growth driver for the company, is spurring sales and earnings, and our other automotive businesses are focusing on regions where they can grow.

Meanwhile, there are a number of issues to be addressed in our commercialization of new technologies. Although the development of LED-related products for consumer use has progressed to a satisfactory level, the commercialization of new material-related products has been delayed due to a lack of maturity in the technology and weak commercialization strategies. We believe that a review is necessary. Through a re-evaluation of our new value creation development process since last year and our CVC activities (▶P.30), we have been supplementing areas where we lack technology or knowledge to promote early commercialization.

FY2022 is a year of preparation for our final push to achieve the 2025 Business Plan. We are taking early action on issues to achieve these goals, and allocating management resources to carbon neutrality and new businesses, which are growing markets and fields, with an eye to the future. We will work for corporate growth with effective and maximum utilization of our resources.

Strategy by Segment/Business Field

Business field / Segment	SS Safety Systems	IE Interiors and Exteriors	FC Functional Components	WS Weatherstrips	New Technology	Total
Japan	→	→	→	→		→
Americas	→	→	→	→	→	→
Asia	→	→	→	→	→	→
Europe	→	→	→	→		→

To achieve sustainable growth in today's changing environment, it is important for existing businesses to take an aggressive posture in continuing to change

Toyota Gosei has maintained a leading position in automotive parts made of rubber and plastics.

To achieve sustainable growth in the midst of the recent major environmental changes, we need a “cycle of corporate growth” to ensure profitability. This includes reviewing our business and product portfolio and further evolving our existing designs/materials and manufacturing capabilities, developing new products based on these management resources, and sending them to the market. Without an aggressive posture, we will not be able to maintain our position as a leader in this field, and will have little prospect of further growth.

In the SS business (▶P.34), a growth driver for Toyota Gosei, we will take an aggressive approach to new product development with the aim of capturing the top market share. In India, where the automobile market is expected to grow, we will strengthen our development and production systems and further enhance collaboration with business partner Daicel Corporation in order to respond to the coming shift to 6 mandated airbags for passenger cars by law. To ensure that we do not miss any business opportunities, we will implement winning business strategies such as local procurement of components. We will also implement sales strategies to meet a wide range of customer needs by proposing collision safety systems that optimize airbags and seatbelts as a whole to increase our market share. To further improve safety performance, we will expand high-performance far-side airbags, develop high impact-absorbing airbags for BEVs, and propose steering

wheels that incorporate advanced design and high levels of safety.

Even as vehicles change, we will continue to improve the safety technology of our airbags to address the social needs of protecting as many lives as possible in traffic accidents and providing safety in a timely manner to users around world.

In the IE business (▶P.35), we aim to further grow sales by strengthening our products and production engineering to reliably meet changing design and function needs associated with the shift to BEVs and autonomous driving. Examples in exteriors are stylish products that transmit millimeter waves, light, and sound, and the development of environmentally-friendly materials and decorative technologies. In interiors, we will make timely proposals for new products that leverage our accumulated technologies, focusing on next-generation interiors such as functional LED lighting and thin instrument panels that integrate airbag technology.

The FC business (▶P.36) requires the most flexible response to market changes. We focus on the development of next-generation cooling pipes for BEVs and hydrogen tanks for FCEVs to keep up with the wave of change. At the same time, we are developing a production system that can handle the shift from gasoline to electric vehicles.

In the WS business (▶P.37), more advanced technology is needed to reduce driving noise more than engine noise with the move to BEVs. We will propose products with improved quietness performance with our expertise in rubber materials cultivated over 70 years.

Toyota Gosei's identity lies in a high level of knowledge of rubber, plastics, and other polymer materials, and accumulated experience in new business development,





including LED and airbag products. We hope to further refine the technologies developed and passed on to us from our predecessors and contribute to solving social issues through the creation of new value that goes beyond the framework of automotive parts.

Using our strengths to maintain coexistence between the environment and polymer materials

The world has become keenly aware of the importance of tackling environmental problems on a global scale. Environmental problems caused by plastic and rubber waste are being closely watched around the world. It is also true that we cannot go back to manufacturing without polymer materials. Recycling and effective utilization of rubber and plastic materials have become crucial for the positive coexistence of the environment and polymer materials.

Toyoda Gosei's extensive knowledge in rubber and plastics, compounding technologies, and using these materials to full advantage can lead to major business opportunities without adversely impacting the environment. Currently, we aim to expand material recycling, including recycling of waste materials and utilizing recycled materials in our products. If a company can establish green technology in the areas of rubber and plastics, it will open up a whole new world of business opportunities. We are collaborating with other companies on material recycling to make it into a viable business as soon as possible.

In addition to material recycling, we are making a wide range of other initiatives, including reducing the amount of materials used, improving yields during production, and substituting with bio-materials. We aim to become the leader in carbon neutrality among polymer automotive parts manufacturers by making major changes in design and production engineering and cooperating with our suppliers.

Leading the Toyoda Gosei of today into the future

We are rapidly accelerating our sustainability activities. Last year, we launched a new Sustainability Meeting to discuss global issues presented in the Sustainable Development Goals (SDGs) and management issues related to the environment, society, and governance from a medium-term perspective. The presence of outside directors and outside Audit and Supervisory Board members helps to ensure that our supervisory functions work well and that balanced policies are agreed upon and implemented. We will continue to take the lead in

sustainability activities in order to lead Toyoda Gosei into the future.

Environmental activities are one part of the ESG concept, the foundation of management. For about 30 years, we have been sincerely committed to reducing CO₂ emissions and protecting the environment, by setting specific activity goals every five years. Since last year, we have been working toward our 2025 mid-range targets. This increases the feasibility of a 50% reduction in CO₂ emissions and 50% use of renewable energy (Targets 50 & 50) by 2030 and achieving carbon neutrality by 2050. We will evolve as a leading company for carbon neutrality in the field of automotive rubber and plastic parts. We can accelerate industry-wide initiatives for carbon neutrality and a circular economy by more quickly building a track record of activities targeting Scope 3 emissions and spreading that positive impact throughout the auto parts industry. We also want to contribute to clean hydrogen energy societies (▶P.28) through our hydrogen tank technology, and continue our efforts to leave a safe global living environment for future generations (Environment Initiatives ▶P.42).

Since last year, we have also strengthened our initiatives to enable activities by a diverse workforce. We have always respected each and every one of our employees, and have tried to make it possible for them to display their maximum abilities. With the establishment of a new Human Rights Policy, we hope to promote a culture of mutual respect throughout the Toyoda Gosei Group and extending to all other stakeholders involved in our business activities. The world is entering a period of major shifts in the social environment, with declining birthrates, aging populations, diversifying work styles, and changing values. We see this as a turning point in our efforts to improve our corporate capabilities, and we are examining and implementing personnel policies from various perspectives to ensure that employees with diverse ways of thinking and talents will respect each other and display their maximum individual strengths. This will lead to business growth opportunities and effective responses to corporate risks based on new perspectives. Since each employee needs to acquire skills that meet the needs of the times, we are also putting greater emphasis on the reskilling necessary for the DX that is currently underway at Toyoda Gosei and the generation of new business ideas. Employee job satisfaction and motivation are also crucial to these activities, and so we conduct employee engagement surveys to obtain their true opinions, which we link to company policies and workplace improvements with the aim of creating vibrant and energetic workplaces (Social Initiatives ▶P.54).

To continue as a company of integrity, a cornerstone of our company, our governance system must constantly change and evolve in response to the circumstances of the times and the opportunities and risks we face. Last year, in line with revisions to Japan's Corporate Governance Code, we

reviewed the operation of the Board of Directors and other functional bodies. We will make global initiatives to build a foundation for sustainable increases in corporate value by developing an Internal Control Committee in addition to a new internal audit status report to manage and correct corporate risks in an integrated manner. Compliance and risk management, which have been handled individually, will also be discussed from multiple perspectives (Governance Initiatives ▶P.68).

To our stakeholders

The world is going through chaotic times, with political instability, escalating environmental problems, and the spread of COVID-19. The automotive industry is also undergoing a huge transformation. Even in this uncertain business environment, we are leveraging our management resources and core competencies with a sense of integrity to continue achieving sustainable growth.

We strive to be a company that contributes solutions to environmental and social issues and moves into the future by working together with our stakeholders and partners who share and understand our initiatives. For this purpose, the entire company is united in taking on new challenges with energy and enthusiasm.

We would like to ask all of our stakeholders for their continued understanding and support.

Toru Koyama
President
November 2022



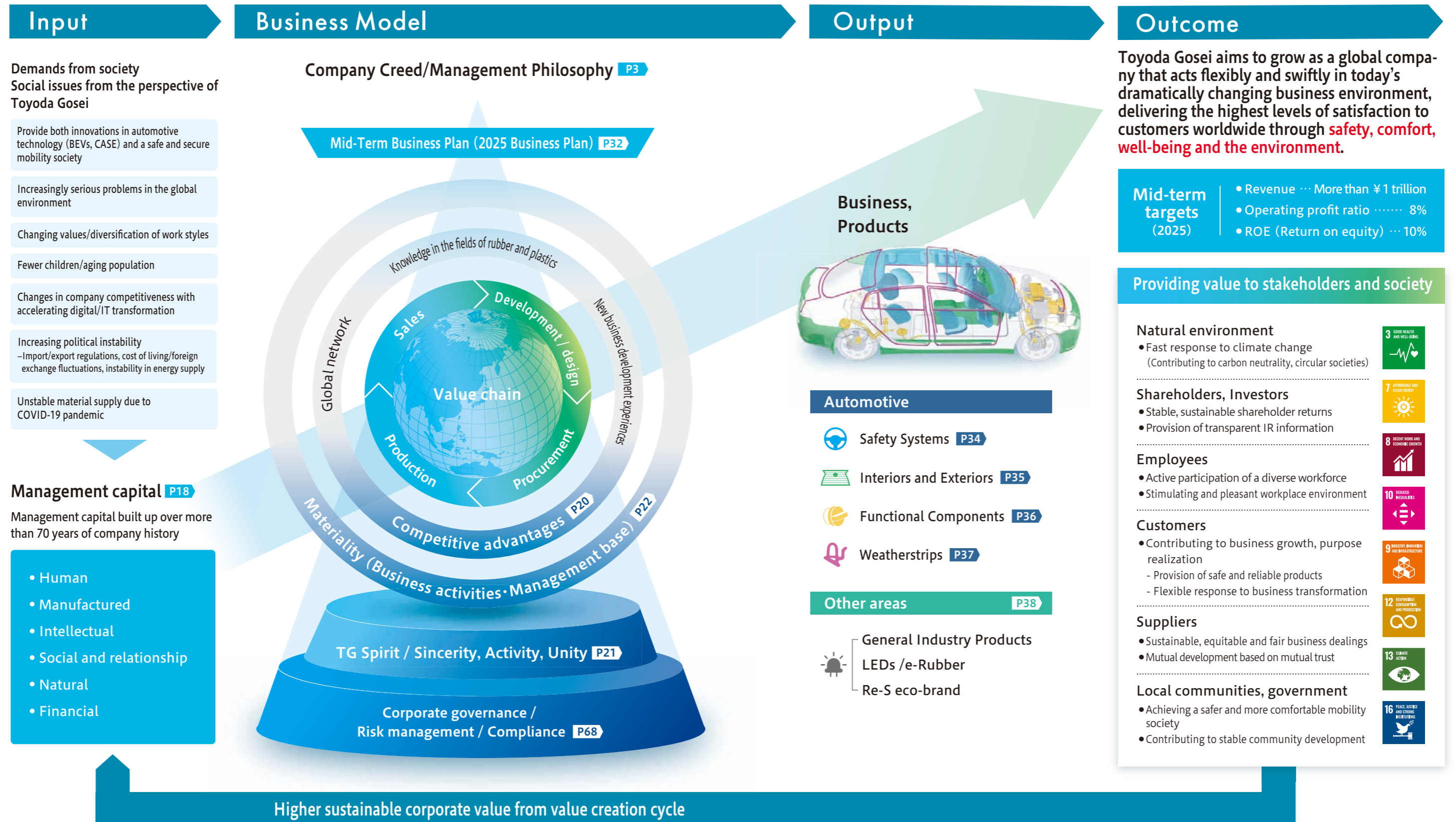
Photo taken at Toyoda Gosei Memorial Gymnasium (ENTRIO)

Entrio was opened in September 2020 with the concept of being a place that would bring people together through sports, make them smile, and energize them. In addition to hosting the official games of Toyoda Gosei's sports clubs and internal company events, it creates excitement and contributes to a sustainable society as a meeting place for people and people, people and companies, and companies and companies.

Origin of the name ENTRIO
The gymnasium was named for the three "en" (connections) of work, community, and sports that we treasure as we support each other and grow, and "trio" meaning three.

Value Creation Process

With the company creed of “Boundless creativity and social contribution,” the Toyoda Gosei Group leverages its expertise in rubber and plastic, its global reach, and its experience in pioneering new businesses, and will continue to meet social needs through the provision of automotive products and other innovations.



Management Capital

Management capital built up over a history of more than 70 years

Management capital is crucial to the sustainable increase of corporate value. Toyoda Gosei cultivates management capital through repeated cycles of value creation based on its management philosophy, investing capital at opportune times for anticipated business opportunities and risks.

Human Capital



Number of employees
39,511

A manufacturing workforce with diverse individual characteristics and strengths to support corporate evolution and growth

Toyoda Gosei operates 61 Group companies in 16 countries and regions around the world. We will continue to evolve and grow through the collective efforts of our employees, who have diverse talents and values that differ in terms of nationality, gender, age, and lifestyle, as they display their full abilities. We promote the creation of healthy and comfortable work environments where everyone can fully demonstrate their abilities while experiencing personal growth.

- Percentage of employees outside of Japan: 76.3%
- No. of female managers [Toyoda Gosei Co., Ltd.]: 30
- Local executive percentage: 31.0%
- Percentage of management who are mid-career hires [Toyoda Gosei Co., Ltd.]: 30.9%

Active Participation of a Diverse Workforce [P58](#)

Manufacturing Capital



Number of locations
61 companies

Leveraging our global network and knowledge in the fields of rubber and plastics for the timely provision of safety, comfort, well-being, and the environment to customers around the world

To meet the needs of our customers around the world in a timely manner, we have established sales and engineering structures with close ties to each region and an optimal global production and delivery system. In addition, we are enhancing our manufacturing capabilities through innovative advancements in manufacturing methods and production equipment by leveraging our own knowledge in the fields of rubber and plastics, a strength we have cultivated for more than 70 years. Going forward, we will introduce internal carbon pricing (ICP) to promote investment decisions based on the balance between environmental and economic activities.

- Capital investment: ¥49.7 billion

Competitive Advantages [P20](#)

Intellectual Capital



R&D expenses
¥33.5 billion

Refining our research and development (R&D) capabilities to further enhance our competitive advantage in new business development experiences

We are going through a period of tremendous change with the transformation of the automobile. Grasping the needs of customers and society as early as possible and possessing the technological capabilities that will be needed in five to ten years will be important, as R&D capabilities are the source of growth for the company. Toyoda Gosei has invested approximately 100 billion yen in R&D over the last three years for new and existing businesses. We will continue to enhance our competitive advantage by utilizing IP landscaping and other means to improve the accuracy and speed of decision-making in new business development.

- No. of developers and engineers [Toyoda Gosei Co., Ltd.]: 2,327
- No. of patents held: 4,829

Competitive Advantages [P20](#) Financial and Non-Financial Highlights [P86](#)

Social and Relational Capital



Number of suppliers
[Toyoda Gosei Co., Ltd.]
772 companies

Building strong relationships with stakeholders through close dialogue

In this once-in-a-century period of tremendous change, and instability in the international community, smooth cooperation with various stakeholders is crucial to realizing our management vision. Toyoda Gosei will engage in careful dialogue with our stakeholders, and, together with these stakeholders, build and maintain strong relationships of mutual trust by providing value to society. We will continue to steadily evolve even in the current harsh business environment.

- Dialogue with institutional investors (financial results briefings, small meetings, ESG briefings, facility tours, business briefings, and more)
- Joint research with universities (Nagoya University, Osaka University, University of Tokyo, others)

Social Initiatives [P54](#)

Natural Capital



Total energy input
2,361,000 GJ*

Initiatives for climate change and resource recycling that leverage our environmental technologies and knowledge


Toyoda Gosei began full-scale environmental activities in 1993 with its "First Environmental Action Plan" and we have been strongly committed to environmental activities over these 30 years. Natural capital is the root of materiality and outcomes, and by further advancing our cultivated knowledge and technology in environmental conservation, and our knowledge in the fields of rubber and plastics, we will achieve efficient resource investment and reduction of environmental impacts, promoting both environmental and economic value.

- Total material input: 40,305t
- Water resource input: 1,120,000m³
- Renewable energy input: 34,000GJ
- Percentage of production sites that have acquired ISO 14001 certification (environmental management): 100%

* Gigajoule (1,000,000,000 joules)

Materiality [P22](#) Environment Initiatives [P42](#)

Financial Capital



Credit rating
A+(R&I)

Sound financial management that supports sustainable growth and increased corporate value

Sustainable growth requires continuous investment in facilities, R&D, and human resources. Toyoda Gosei will maintain the stability of its financial base through sound financial management and achieve continuous growth by effectively using financial capital with the necessary timing. In the future, by introducing new management indicators such as ROIC, promoting decision-making that emphasizes investment efficiency, and improving capital efficiency through the establishment of a system for global and nimble financing, we aim to increase corporate value through multifaceted financial management that emphasizes capital efficiency.

- Shareholders' equity: ¥428.8 billion
- Interest-bearing debt: ¥173.6 billion
- Ratio of equity attributable to owners of parent to total assets: 49.9%

Message from the Officer in Charge of Finance [P40](#) Financial and Non-Financial Highlights [P86](#)

Competitive Advantages

We aim to achieve sustainable corporate evolution and growth by addressing materiality issues based on the three competitive advantages we have built up over 70 years of business: knowledge in the fields of rubber and plastics, a global network, and new business development experiences.

Knowledge in the Fields of Rubber and Plastics

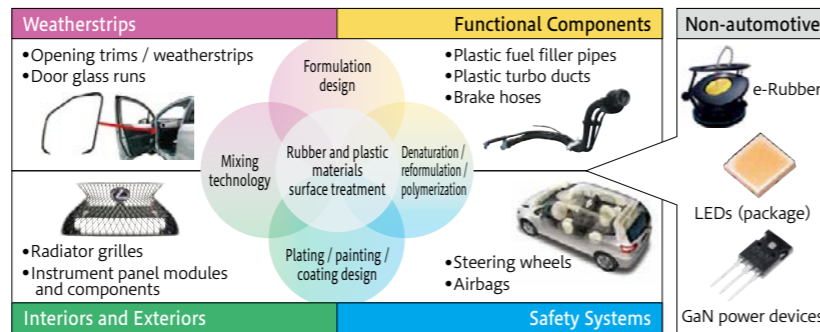
Materials and manufacturing methods that give our products an edge

Our research and development goes back to the rubber research division established by Kiichiro Toyoda, the founder of Toyota Motor Corporation. We are leveraging the foundation of our continuous basic research to create materials and manufacturing methods that anticipate the needs of our customers and the times to enhance our competitive advantage.

In-house development of materials

Our departments specializing in development and analysis for the rubber, plastic, and surface-treated materials that are most suitable for our products are working to solve development issues from the perspective of materials. We then use these strengths in material and compounding technology, in analysis, observation and evaluation technology, and in simulation technology to create various products beyond the framework of automotive parts.

Our knowledge in the fields of rubber and plastics may be considered our identity, and is an important foundation for sustainable corporate growth.



Global Network

A value chain leveraging our network of 61 Group companies in 16 countries/regions

Following our entry into the “global car” market, we have established more than 40 Group companies in about 20 years. Utilizing this global network, we deliver reliable technology and quality in a timely manner based on an optimal production system with a view to customer needs and political conditions.

Development / design	Assisting vehicle development through close coordination We support speedy vehicle development through close coordination between overseas sites and engineering, development, and production engineering from our World Headquarters. In this way, we can respond to vehicle development by automakers at their overseas locations.	Procurement	Stable procurement through global supply chain Our partnership with more than 700 global suppliers (Tier 1) ensures stable procurement of parts and materials even in the midst of geopolitical risks, for the timely delivery of products tailored to our customers' needs.
Production	Best production networks globally We have established a stable production and delivery system based on production near to our customers, and by building a foundation for our production backup and support systems in four regions (Japan, the Americas, Asia, Europe/Africa).	Sales	Customer-oriented sales activities We have established sales structures in each region to meet the needs of our customers around the world, quickly identifying the needs of local customers in other countries and working with the World Headquarters to address them in a speedy manner.

New Business Development Experiences

Innovative products

In line with our company creed, “Boundless Creativity and Social Contribution,” the many experiences we have gained over our 70-year history in successfully developing products that meet the needs of the times, such as for safety and the environment, form the foundation for our spirit of taking on challenges, as expressed in the TG Spirit. We will continue to evolve further as a company by taking on challenges related to social issues while embracing the mindset passed on to us from our predecessors.

World firsts



New endeavors for social issues



TG Spirit

The Toyoda Gosei Group established the “TG Spirit” as a common set of values toward work. As work styles diversify and values change, the TG Spirit is an important source of cohesion and strength for our approximately 39,000 employees working in 16 countries and regions around the world, who differ in terms of nationality, gender, age, and lifestyle, and will help them to demonstrate their collective strength through teamwork. We will aim for sustainable corporate evolution and growth by carrying into the future the “attitudes and ways of thinking that should be valued in performing our work.” These are things that have been passed down to us and that we will continue to treasure even in today’s rapidly changing environment.

Making the Ideas Passed Down Our Own, and Passing Them on to the Younger Generation


We believe that sharing this TG Spirit throughout the entire Toyoda Gosei Group will help us to become one team, transcending differences in nationality, gender, age, and lifestyle.

1 Customer Oriented Think from the customer's perspective How can we help customers get what they want?	2 Challenge Aim high, be resolute in the face of difficulties We will aim high, set ambitious goals and work relentlessly toward achieving them no matter what the difficulties may be.	3 Ownership Be responsible and proactive Each and every TG employee is encouraged to feel a sense of ownership for the products that leave our doors.
4 Continuous Kaizen Never be satisfied; improvement never ends Using the approaches of <i>genchi-genbutsu</i> (go and see) and <i>genjitsu</i> (activities based on the actual situation) and asking why five times, we will constantly strive to bring our operations and products to the next highest level.	5 Respect Respect for individuals and their perspectives We will maintain respect for the individuality and perspectives of each person, be humble in our dealings with others regardless of nationality, gender, or rank, and always try to learn from each other.	6 Teamwork Help each other, grow as a team We will combine our strengths within teams, between divisions, and between Toyoda Gosei Group companies to make One TG a reality.

The TG Spirit Supports Value Chain Activities

Development / design / Creating a new future with a spirit of taking on challenges

As one of my social problem-solving innovation activities, I am working with startup companies to develop new areas of technology. We are conducting social demonstrations using microwave power transfer, image-based AI, and other technologies. What is important here is to have a spirit of taking on challenges and to be looking toward the future. Startups are incredibly fast in business, including development and decision making. When we ourselves focused on speed with full commitment to the work, we found more and more colleagues who support us. I would like to continue to open paths to a new future by continuing to take on challenges without fear.



Yoshiaki Nakamura
General Manager
New Value Development Division

Procurement / Respect for our suppliers and maintaining open and fair relationships with them

We hear that “the downstream process is the customer,” but when I was a young man in the Purchasing Division I was often taught that “the supplier is the customer.” I have been involved in purchasing since I joined the company, and I have always approached this with an attitude of respect for our suppliers. We think together with them and provide thorough support as their contact point for Toyoda Gosei, no matter what kind of problems or questions they may have. As the business environment becomes increasingly harsh, I hope to overcome challenges together with our suppliers and further deepen our relationship as equal partners to enable mutual growth.



Hiroaki Watanabe
General Manager
SS Parts Purchasing Dept., Purchasing Division

Production / Kaizen is linked to all aspects of the TG Spirit

I believe that the TG Spirit is a guideline for doing things better for our employees and our stakeholders, including our customers and communities. I believe that “continuous kaizen” is the keyword that encompasses all aspects of the TG Spirit. We must make daily improvements part of our own work responsibility, work together and respect other team members to accomplish what we cannot accomplish alone, and boldly take on challenges to bring joy to our stakeholders through our improvements. With this mindset, I will do my best every day to contribute to Toyota Gosei's growth.



Michelle Patrick
Vice President
Interior/Exterior Div. TGMO

Sales / “Customer Oriented,” the starting point of sales

About 15 years ago, at my own request, I was transferred from a secretarial position to a sales position. The first time I was in charge of adjusting sales prices, I discovered that the job was more difficult and demanding than I had imagined. In this situation, I tried to be “Customer Oriented,” specifically, I adopted an attitude of give and take, understanding the other person's point of view, and keeping my promises. By doing so, I gradually gained the trust of customers and my work began to go smoothly. I would like to pass on these real-life experiences and realizations to new members.



Sukanya Soongsanit
General Manager
Sales Department TGAS

Materiality (Key Issues)

With the company creed of “Boundless Creativity and Social Contribution” we aim to achieve both economic and social value by contributing to the realization of sustainable societies through the growth of our company. In order to achieve our 2025 Business Plan, we are working on materiality items that are of high importance to us and to which we can make a particular contribution, from among various social issues, including social forecasts and SDGs, which are envisioned based on the changing business environment.

Materiality Identification Process

STEP 1 Selection of materiality candidates

Issues to be considered are identified (59 items) by sustainability advocates appointed from related divisions, with reference to social issues, market and social trends, GRI standards, SDGs, materiality of other companies, and other considerations.

STEP 2 Evaluation/analysis of materiality candidates

Analysis and evaluation based on importance to Toyoda Gosei (management philosophy, management capital, interactions with competitive advantages and strengths) and importance to stakeholders (contribution to social issues, promotion of ESG activities)

STEP 3 Validity evaluation by management

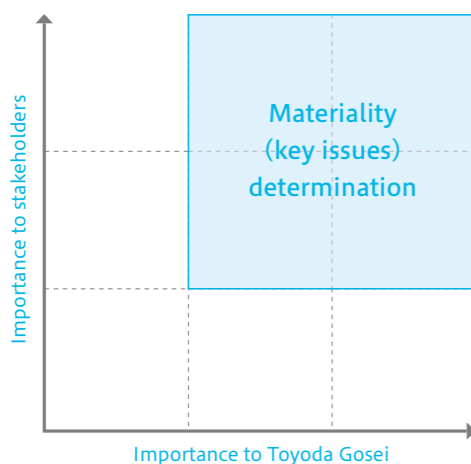
The validity of materiality is evaluated by interviewing outside directors, executives, and investors regarding the material issues identified, including specific processes.

STEP 4 Materiality identification

Selection of priority themes through deliberation by management bodies

STEP 5 Review

Review of initiatives tied to company policies, confirmation by the Sustainability Meeting, and regular review of materiality



	Related social issues	Materiality (key issues)	Major initiatives	Most crucial fields in related SDGs
Business activities	Provide both innovations in automotive technology (BEVs, CASE) and a safe and secure mobility society	Respond to the transformation of automobiles Achieve a safer and more comfortable mobility society by reducing the number of traffic fatalities	Development of new products for BEVs (Feature 2 ▶ P.26) <ul style="list-style-type: none"> Development of advanced safety technology, higher added value of steering wheel grips Next-generation decoration (decorative lighting, hot stamps, etc.), forward-looking interiors Cooling system for battery cooling and heat management Development and sales of airbags that deliver safety, comfort, well-being and the environment to all (Feature 1 ▶ P.24) <ul style="list-style-type: none"> Enhanced protection performance Development of crash safety systems in combination with seatbelts Development of various simulation technologies Creation of a production network for the spread of airbags in developing countries (India, Southeast Asia, etc.) 	
	Changes in company competitiveness with accelerating digital/IT transformation	Create new businesses that utilize core technologies	Building environmentally-friendly businesses leveraging our knowledge in the fields of rubber and plastics <ul style="list-style-type: none"> Expansion of material recycling, including reuse of plastic waste material and desulfurization and regeneration (▶ P.47) Development of products that use CNF-reinforced plastic (▶ P.26) Expand new businesses using our new business development experiences <ul style="list-style-type: none"> Development of hydrogen tanks for commercial vehicles (Feature 3 ▶ P.28) Development of water purification units and air and surface sterilization using UV-C (deep ultraviolet) LEDs (▶ P.38) Development of GaN power devices (Ministry of the Environment CO₂ reduction project) (▶ P.38) Development of smart insoles using e-Rubber Leveraging our core technologies for innovation: Corporate venture capital (Feature 4 ▶ P.30) Creation of products through company collaboration using recycling (expand Re-S brand) (▶ P.49) 	
Management base	Increasingly serious problems in the global environment	Contribute to decarbonized societies by reducing emissions of CO ₂ and other greenhouse gases Contribute to circular societies by reducing waste and water risks	Group-wide global activities for carbon neutrality (▶ P.44) <ul style="list-style-type: none"> Reduction of energy consumption with greater efficiency through daily <i>kaizen</i> and by innovating production engineering using IoT, AI Aggressive use of renewable energy Making lighter weight products for better fuel efficiency (minimize CO₂ during use) Design for easy disassembly (promote recycling, minimize waste) Facility investment decisions that balance economics and the environment through the introduction of ICP Horizontal deployment of measures to reduce CO₂ emissions of suppliers Contributing to circular societies (▶ P.47) <ul style="list-style-type: none"> Expansion of recycled decorative products, use of environmentally friendly materials Reduction of water intake/promotion of recycling, upgrading of wastewater treatment facilities for cleaner wastewater 	
	Changing values/diversification of work styles Fewer children/aging population	Coexist with local communities Promote diversification in employment / Respect human rights	Local activities through companies that grow together with the communities where they are rooted <ul style="list-style-type: none"> Business expansion and employment creation in developing countries Activities to support nature (woodland maintenance, plant afforestation, river and wetland protection, etc.) (▶ P.50) Contributing to the development of sustainable communities (environmental protection, social welfare, youth development, community crime prevention) (▶ P.67) Fostering a sense of unity between employees and the community through sports (▶ P.67) Diversity & inclusion, safety, health management (▶ P.54) <ul style="list-style-type: none"> Promotion of human rights policy and pleasant workplaces (creation of mechanisms, education, implementation) Company policies, workplace improvement activities based on engagement surveys Empowerment of women, hiring of people with disabilities, delayed retirement to promote the activity of senior employees Ensuring safe and pleasant workplace environments Health management to maintain and improve the health of employees Quality that supports sustainability and strengthening of supply chain <ul style="list-style-type: none"> Strengthened supply chain management (▶ P.64) Uniform global quality assurance (▶ P.66) 	
	Increasing political instability Unstable material supply due to COVID-19 pandemic	Corporate governance as a company of integrity Thorough compliance	Strengthening of corporate governance systems for sustainable growth (▶ P.68) <ul style="list-style-type: none"> Enhancement of ESG initiatives with establishment of new Sustainability Meeting Risk reduction activities and thorough compliance centered on Internal Control Committee Strengthened response to global risks (stable procurement of parts and materials, operation shutdowns related to COVID-19, cyberterrorism, etc.) Strengthened corporate governance with development of business plan and management systems in Group companies 	

Building Transportation Societies That Protect Irreplaceable Human Life

Although rapid advances are being made in automobile safety performance, traffic fatalities are on the rise in regions where the development of traffic infrastructure lags behind the widespread use of automobiles and safety equipment such as airbags are not widely used. Even in developed countries with well-developed transportation infrastructure and widespread safety equipment, the number of traffic fatalities is far from negligible. In recent years, global traffic fatalities have hovered around 1.35 million. To contribute to traffic safety and security, we will continue to pursue higher-performance safety equipment and provide this equipment in many regions.

In India, where the government is expected to mandate six types of airbags on vehicles (driver, front passenger, left and right side & curtain airbags), we are forecasting 5-fold growth compared with the current level and are working with inflator suppliers for local procurement to ensure capacity and cost competitiveness.

In Southeast Asia, side-impact evaluations have been introduced in assessments and the demand for airbags is increasing. We have established a new plant in Indonesia, where market growth is particularly strong and Japanese OEMs have a large share of the market, to increase our production capacity.



New plant (rendering)

New plant in South China

Wider Use of Airbags Will Bring Us Closer to Zero Traffic Fatalities

The World Health Organization (WHO) reports that in recent years the number of traffic fatalities worldwide has trended at around 1.35 million annually. It is estimated that between 2020 and 2030, the total number of traffic fatalities will be approximately 13 million. One of the reasons for these high numbers, along with the lagging state of transportation infrastructure and the high ratio of two-wheeled vehicles, especially in developing countries, is thought to be that automobile airbags and other safety equipment have not been widely adopted. In India, Southeast Asia, and other regions where there is large growth in the automobile market, demand for airbags will increase as regulations make airbags mandatory and initiatives advance to raise airbag adoption rates by strengthening assessments.

While the number of traffic fatalities is gradually decreasing in western countries, Japan, and elsewhere, many issues still need to be resolved before the number of fatalities can be brought closer to zero. Through the continuous evolution of airbags and other safety equipment, we want to increase the types of accident in which people can be saved.

In addition, safety systems of vehicles in the coming years need to evolve to accommodate changes. New vehicles such as BEVs and micro-vehicles are appearing on the market, and these vehicles differ from conventional vehicles in the degree of impact on occupants and vehicle body deformation in the event of an accident. At the same time, advances in autonomous driving technology are expected to allow drivers more freedom in their actions and riding posture.

In response to these market trends and changes in the environment, we have established two major growth strategies for the Safety System business.

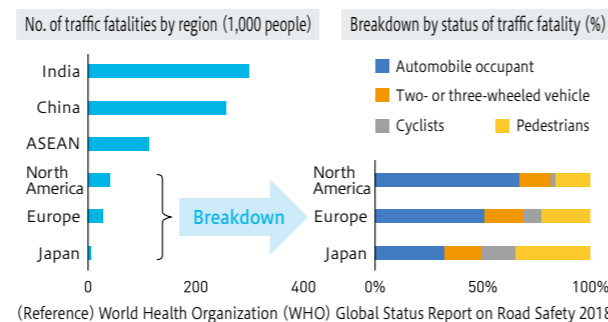
1. Increase Production Capacity

We will increase production capacity in regions with rising demand for airbags

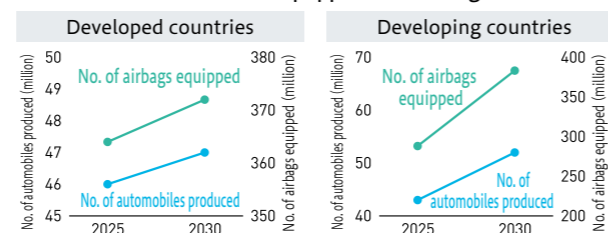
2. Further Evolve Safety Systems

We will improve the performance of airbags to cover injuries that conventional airbags do not protect against

We will also develop technologies and products to respond to changes in the environment



Toyoda Gosei's Forecast for Number of Automobiles Produced in the Market and Number Equipped with Airbags



Toyoda Gosei's forecast for airbag usage rate based on Light Vehicle Production (IHS, April 2021) and average annual growth rate

1. Increase Production Capacity

We are increasing our production capacity in China, India, and Southeast Asia to keep pace with the rising number of airbags that will be installed in vehicles after 2025.

In China, we established a new plant in the southern part of the country (to start operations in summer 2023). It will be the first SS plant to incorporate the "TG Advanced Plant

Concept," pursuing efficient manufacturing and utilizing IoT and AI to monitor production status in real time from anywhere.

In addition, we will promote *jidoka* (autonomation) to ensure sufficient production capacity to meet increasing demand.

2. Further Evolve Safety Systems

Overall, the number of traffic fatalities in developed countries has been on the decline. One factor is the evolution of safer vehicle bodies in collisions and safety equipment such as airbags. Automatic braking and driving are also expected to evolve in the future, ushering in an era in which many accidents themselves can be prevented. However, more time is said to be needed. Therefore, the continuous evolution of airbags and other safety equipment that protect passengers and pedestrians in the event of a traffic accident is still needed.

In 2020, we began mass production of far-side airbags that prevent injury to occupants thrown to the opposite side of the vehicle during side impact collisions. We have continued developing these airbags since then, earning high praise from many automakers. Our most recent far-side airbag is also compliant with the new, stricter assessments.

With the BEVs that will become mainstream in the future, impacts on occupants during traffic accidents may be more severe in some cases due to changes in the vehicle body structure. This will require safety equipment with high levels of impact absorption.

Airbags and other safety equipment must also evolve to match the advanced design and changes in riding posture that are expected in the future.

Computer analysis is one of our strengths as a technology that supports such development. Various vehicles and the human body reproduced on computers are used to simulate accidents. This allows us to predict how vehicles will be damaged and the types of injuries that will be sustained by humans. This is then fed back into the development of new products. We also have connections with medical institutions and universities to improve reproductions of the tolerance of the human body and increase the accuracy of our analysis.

This technology makes it possible to analyze the entire vehicle as a system, rather than just the airbag itself, and to propose improved protection performance that also combines the vehicle body and seat belts.

We are also addressing social issues, such as the development of a steering wheel with an accelerator lever for drivers with lower limb disabilities. This makes it possible to accelerate the vehicle with the steering wheel alone.

Product Development Roadmap

	~2025	~2030	
Regulations / assessments	Far side impact Far side airbag 	Cyclist protection Cyclist protection airbag 	Rear seat passenger protection Wrap airbag <p>Also effective when people are sitting freely during autonomous driving</p>
CASE SDGs	Worsened impact G force with BEVs Proposal of measures with seatbelt + airbag systems with CAE analysis technology* 	Steering wheel for people with disability (attached accelerator lever) 	

Analytical Technology That Supports Product Development



Focus on injured parts of the body that are not evaluated in regulations/assessments by analytical medicine and engineering collaboration using THUMS
THUMS: Total HUMAN Model for Safety

*Analysis technology using computers in the machine design process

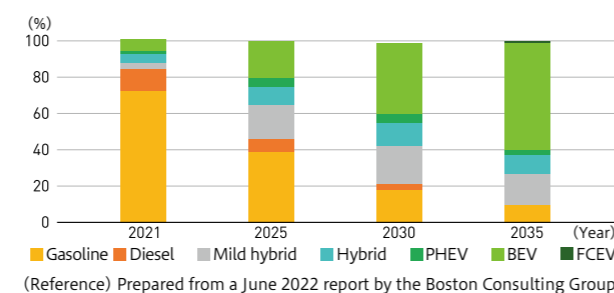
Developing Products for BEVs

A major shift toward electrification is taking place in the automobile industry, and we are developing new products by bringing together the polymer material technologies we have cultivated in multiple business fields and our technical capabilities in product design and production based on these technologies. In developing products for battery electric vehicles (BEVs), we seek to create new value ahead of needs, while expanding the scope of our efforts to all of CASE and contributing to the creation of safe, secure, and comfortable vehicles.

BEV Trends

A joint statement was issued at COP26 in 2021 with the aim of making all new cars sold in major markets zero-emission vehicles by 2035, and all new cars sold worldwide zero-emission by 2040. A proposal by the European Commission in 2021 to ban the sale of internal combustion engine vehicles in the EU by 2035 was passed in June 2022, a move that further accelerates the shift to BEVs by automakers worldwide.

Forecast Spread of Electric Vehicles



Toyoda Gosei's BEV Initiatives

The biggest challenge for the widespread adoption of BEVs is to extend their cruising range. Environmental friendliness and user safety and comfort in response to changes in vehicle structure are also important. Toyoda Gosei's technological potential lies in its plastic and rubber material technologies and its product technologies in each business area. We believe that we can increase our potential for providing value with technologies that span multiple fields in response to the changes in vehicles and needs associated with the shift to BEVs.

We have established the following four development targets based on Toyoda Gosei's business areas, and, viewing change as an opportunity, are promoting product development while optimizing resources to quickly respond to changes in the business environment.

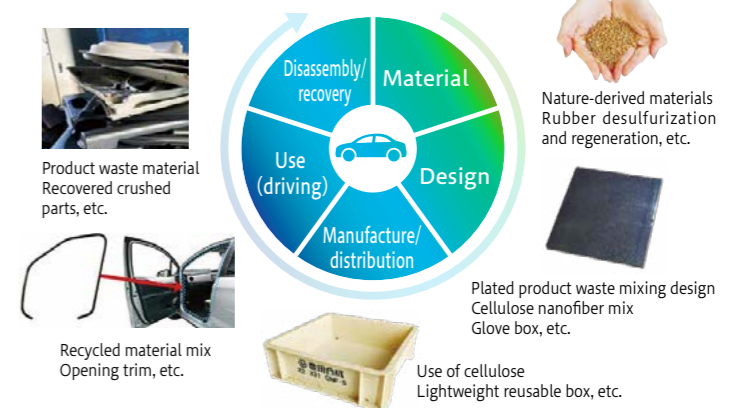
Development targets	2022	2025	Future
① Environmental friendliness Disassembly/recovery, Use (driving), Manufacture/distribution, Material, Design	Raise recycling rate, provide new value with recycled materials, use nature-derived materials		
	Recycled material mix Product waste material Rubber desulfurization and regeneration technologies Cellulose nanofiber mixed products Use of natural rubber Vegan leather		
② Extension of cruising range	Higher electric mileage with lighter weight using plastic, better cooling around battery		
	Cooling pipes Battery cases Image of seamless exterior Transparent garnish (electromagnetic waves, light)		
	Compatible with simple front design, contributes to BEV-like design and aerodynamic performance		
③ BEV-like interior space	Achieves occupant comfort and innovative feel		
	Novel steering wheel shape Interior functional illumination Heat managing air conditioning (near occupants) Thin instrument panel compatible passenger-side airbag		
④ Safety assurance	Improved occupant protection performance in response to changes in impact G force		
	High performance airbag (far side) Next-generation active vent Driver-side airbags Wrap airbag Higher performance steering wheel		
	Compatible with changes in interior layout, autonomous driving		

Four Development Targets

① Environmental Friendliness

Since BEVs have a higher environmental impact than gasoline-powered vehicles during the manufacturing stage, it is important to make life cycle assessments. As a manufacturer specializing in the polymer field, we aim to provide environmentally friendly products by improving their recyclability, expanding the application in our products of rubber regeneration technology, and developing the use of naturally derived materials. Products containing cellulose nanofibers are expected to reduce CO₂ emissions through both weight reduction and recyclability. We are also working on the practical application of natural rubber and vegan leather. Furthermore, we are striving to impart new value by using recycled materials, for example by using waste materials from plated products to achieve new surface designs.

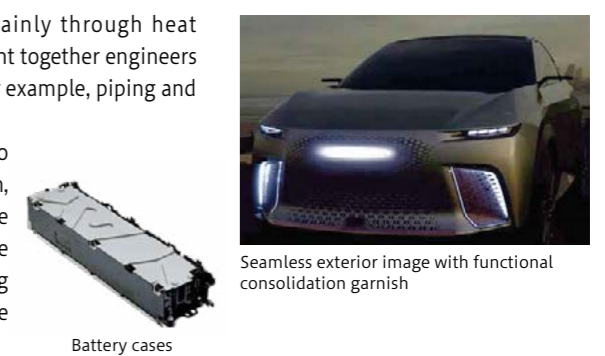
Example of Lifecycle Assessment Efforts



② Extension of Cruising Range

Toyoda Gosei is contributing to extended BEV cruising ranges mainly through heat management, weight reduction and aerodynamic design. We have brought together engineers from our functional component business to develop cooling systems (for example, piping and battery cases) that extract greater battery efficiency.

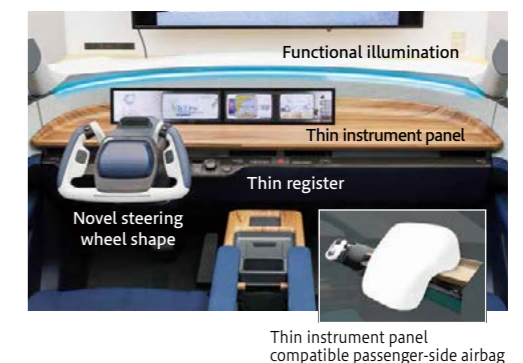
We utilize our materials technologies to replace metal with plastic, to make plastic and rubber products thinner by improving the material strength, and to make products lighter using our foam production engineering. In the exterior product field, seamless design with no openings is needed to improve aerodynamic performance. To achieve this design, we are differentiating our exterior products by enhancing their functionality, including decorative technologies that allow radio waves and light to pass through.



③ BEV-like Interior Space

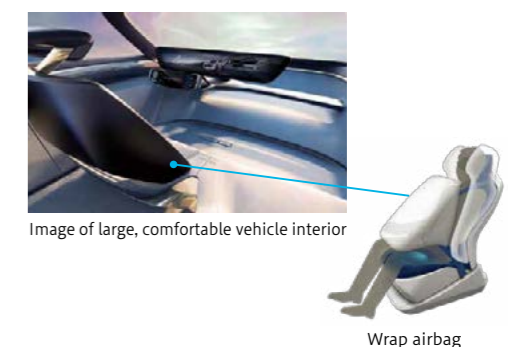
The design trend for BEV interior spaces will be for forward-looking spaces that differ distinctly from gasoline-powered vehicles. We aim to achieve such forward-looking vehicle interior spaces through a combination of our strengths in interiors and safety systems. For example, we are developing airbags and registers that contribute to smart, thin instrument panels, and functional illumination such as driver notifications that use the entire cockpit including the steering wheel.

Our advanced steering wheels with a novel shape provide not only an ergonomic grip shape for comfortable steering, but also reflect airbag technology that ensures the same occupant restraint performance even with a steering wheel shape with vertical cutouts.



④ Safety Assurance

The increased strength of the parts around the battery with the shift to BEVs will affect how vehicle occupants are impacted during collisions. This will require better protection performance from the restraint system. Toyoda Gosei ensures safety with high-performance airbags and internal pressure control technology. We are also developing systems together with Tokai Rika Co., Ltd. and Ashimori Industry Co., Ltd. to achieve optimal protection performance for each vehicle model through the combination of airbags and seatbelts. In addition, we are developing wrap around airbags that are integrated with seatbelts to ensure safety in response to future changes in cabin layout and occupant posture. Toyoda Gosei will continue to provide safety and security to all while adapting to various vehicle changes in the future, with the ultimate aim of zero fatalities in traffic accidents.



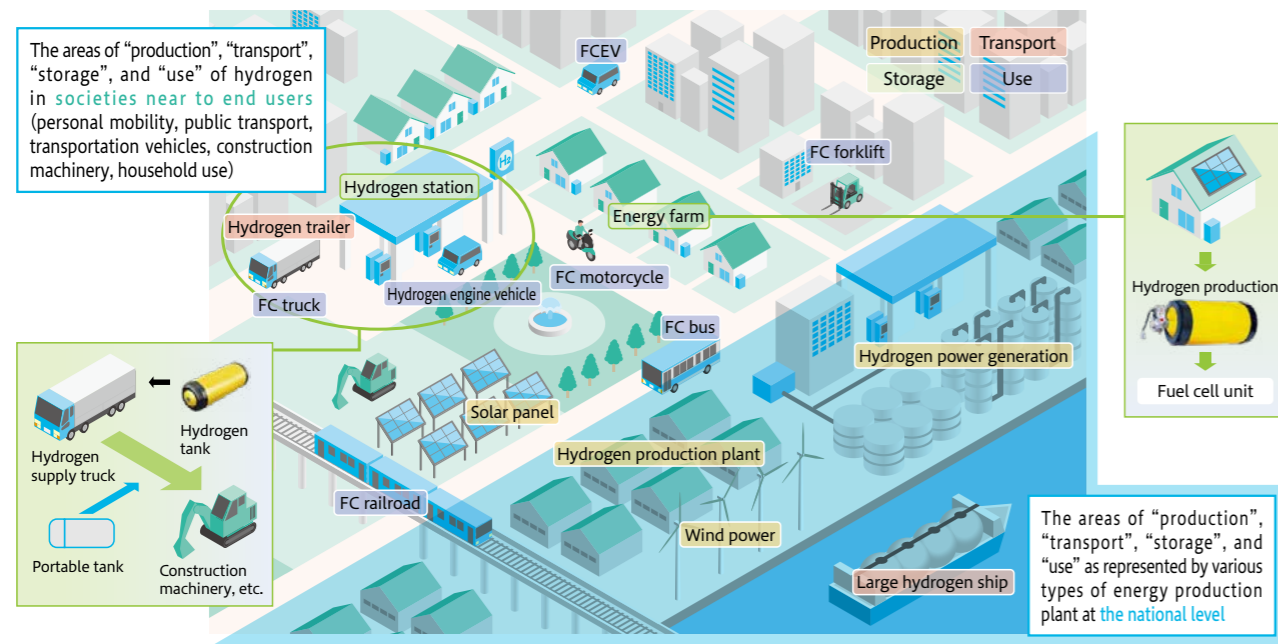
Moving From “Storage” and “Use” to “Transport” and “Production” for Hydrogen Societies

Toyota Gosei has completed the development of its first hydrogen tank for automobiles, and we began mass production at one of our own plants in 2020. In moving toward hydrogen societies, we started out in the areas of hydrogen “storage” and “use”, which are familiar to end-users. In the future, we will spread this technology to the “transport” and “production” of hydrogen, further contributing to hydrogen societies.

The Future of Hydrogen Societies

Hydrogen can be produced from a variety of resources, and has the characteristics of not emitting carbon dioxide when used and enabling renewable energy to be stored, transported, and used.

In Japan, initiatives are underway for the utilization of hydrogen as a key energy source so that carbon neutrality can be achieved by 2050, and we are committed to contributing to these hydrogen societies.



Toyota Gosei’s Involvement with Hydrogen

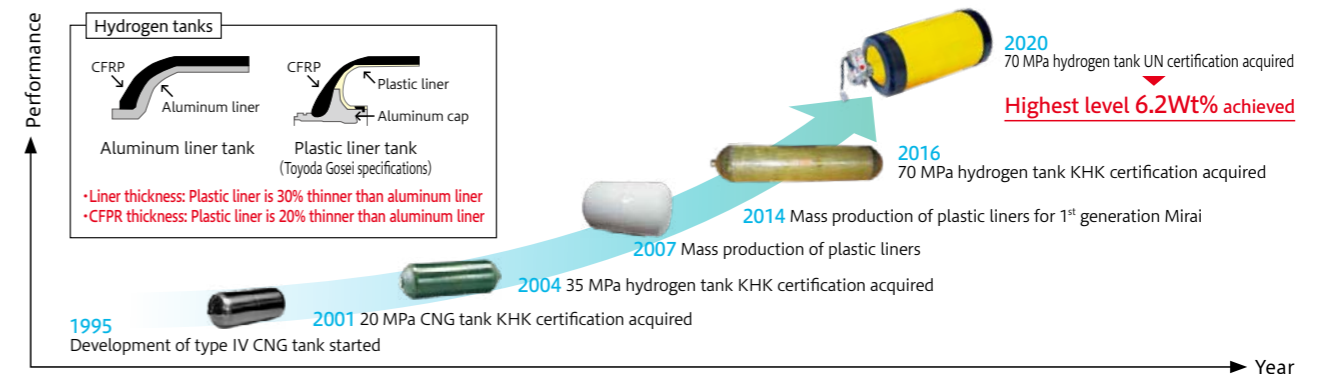
Using our strengths in polymer materials, we began developing compressed natural gas (CNG) tanks with plastic liners for natural gas vehicles in 1995, and obtained Japan’s first certification in 2001. Tanks with plastic liners are lighter and less expensive than tanks with conventional aluminum liners.

In 2002, we began developing hydrogen tanks for fuel cell electric vehicles (FCEVs) utilizing our CNG tank technology. This was recognized in a NEDO^{*1} subsidized project. Hydrogen molecules are smaller than those of natural gas, and the development of materials to prevent fuel permeation was a challenge. This was solved by modifying the plastic material.

In 2007, we began production of 70 MPa^{*2} plastic liners for leased FCEVs, and in 2014 we began mass production of plastic liners for the first generation of the Toyota Mirai. This was a stepping stone to the development of hydrogen tanks, and carbon fiber winding and epoxy curing technologies were brought in-house. In 2016, we obtained certification for 70 MPa hydrogen tanks, and in 2020 we began mass production of hydrogen tanks in one of our own plants for the second generation Mirai. This contributes to hydrogen “storage” and “use”.

^{*1} New Energy and Industrial Technology Development Organization (National Research and Development Agency)
^{*2} Megapascal (unit of pressure)

Toyota Gosei’s History of CNG / Hydrogen Tank Development



Contributing to Hydrogen Societies

STEP 1 Hydrogen “storage” and “use”

Hydrogen tank technology for passenger cars will be applied to commercial vehicles, motorcycles, ships, railroads, and other forms of mobility. We will offer variations in size, pressure resistance, and other characteristics to meet the needs of our customers, and work to ensure performance in a variety of operating environments.

STEP 2 Hydrogen “transport”

In hydrogen societies, the need for hydrogen supply will emerge not only in relation to mobility, but also for use at construction sites, homes, and many other places. Our hydrogen tank technology will make it possible to load hydrogen onto “transport” vehicles, as well as increase the hydrogen loading volume and contribute to weight reduction.

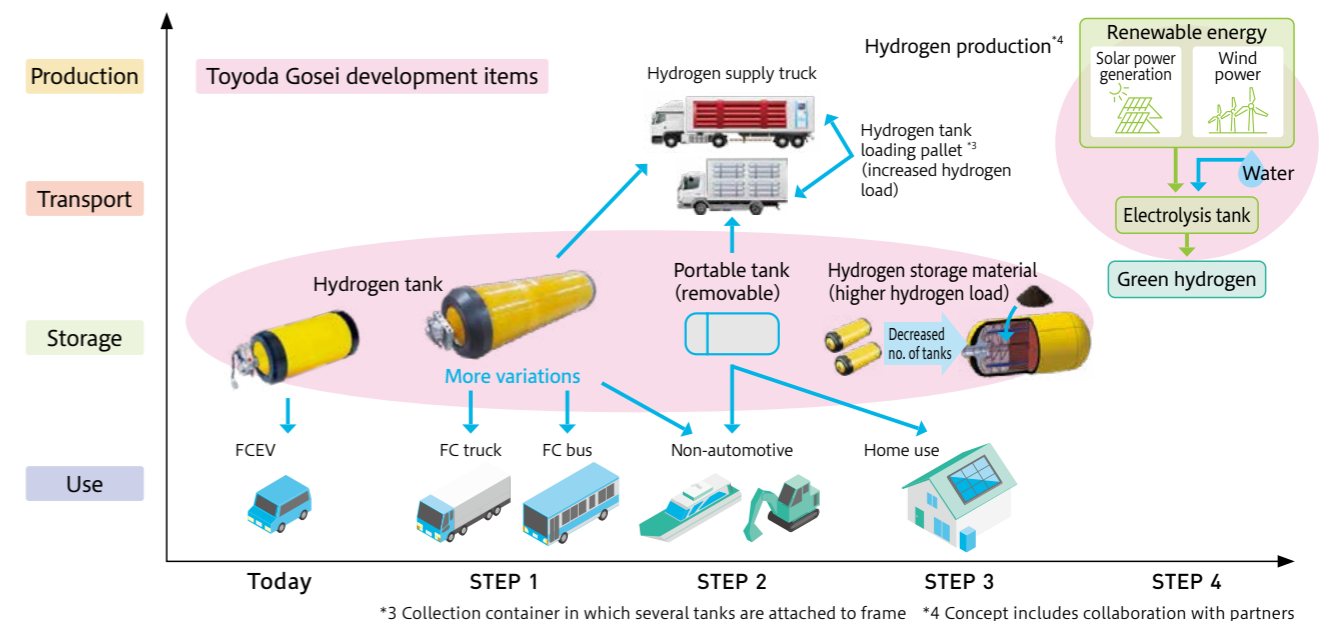
We will also develop portable, removable containers in which hydrogen can be easily carried for use in a wide range of applications.

STEP 3 Further hydrogen “storage”

As hydrogen usage grows, the need for more efficient, large-capacity hydrogen storage will increase. We will further develop our existing hydrogen tank technology to develop hydrogen tanks that are compact and capable of storing large amounts of hydrogen.

STEP 4 Hydrogen “production”

Gray hydrogen is currently the main method for producing hydrogen, and it emits CO₂ in the manufacturing process. There is a need to expand the production of green hydrogen, which uses sunlight or other natural energy sources and water and does not emit CO₂ in the production process. Toyota Gosei will build relationships while leveraging its strengths to contribute to the realization of carbon-neutral societies.



^{*3} Collection container in which several tanks are attached to frame ^{*4} Concept includes collaboration with partners

New Value Creation for the Future

As the environment undergoes drastic changes, we cannot expect to make significant progress if we continue along the same path as in the past. In order to achieve sustainable growth, it will be necessary to create new value by adding outside knowledge and resources to the management resources we have cultivated to date. We will build new growth engines by incorporating outside capabilities while maintaining the foundations of our existing businesses, continuing to take steps forward by changing the way we think and developing our human resources in order to promptly respond to changes that may arise as we address these challenges.

Achieving Sustainable Growth

To achieve sustainable growth for the future, we will need to venture out from the path we have been on. For this we will need to develop new products and cultivate new markets. At the same time, we need to respond quickly, and within our limited available resources, to various social challenges such as the SDGs and carbon neutrality.

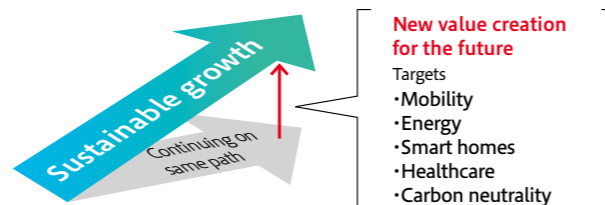
Currently, there is a gap between following the same path and sustainable growth. We believe that activities to bridge this gap are what will lead to new value creation for the future. Two things are needed for this. One is how well we are able to utilize external forces, such as start-ups. The other is how to awaken the latent potential within the company, especially among young people, and how well that potential is displayed.

Toyoda Gosei has a history of venturing into new

businesses, such as blue LEDs. We have inherited this foundation and culture of taking on new challenges and will to pass it on to younger people in the company as we create new value for the future.

What is "New Value Creation for the Future"?

We are conducting **new value creation for the future** in which external forces (startups, others) and internal forces (young employees) serve as growth engines



Use of Corporate Venture Capital (CVC)

For the effective use of external forces, we launched an internal organization dedicated to investing in startups (corporate venture capital; CVC) in January 2019. The idea is to accelerate our response to areas that cannot be handled with limited internal resources or where our knowledge and experience are limited, by leveraging the capabilities of startups and other outside organizations.

In these CVC activities, our investments are focused in five key areas: mobility, energy, smart homes, healthcare, and carbon neutrality. This is based on the idea of prioritizing fields that have high synergy with our core technologies (automotive-related technologies such as rubber and plastics, airbags, and hydrogen tanks; GaN-based semiconductor technologies such as blue LEDs).

Three years have passed since we began these CVC activities as one of our new growth engines. The current organization consists of a full-time staff of 10 and 30 young engineers also working in other departments. The annual budget is 1 billion yen, and investments have been made in 16 startups to date. We do not simply

invest in these companies, but also work with them on joint development. We will continue to promote activities to develop new products and cultivate new markets by utilizing technologies from different industries.

Major Companies in Which We Have Invested

Category	Name of company	Content of development
Carbon neutrality	WOTA Corp.	Portable water purification unit
Carbon neutrality	Slab Inc.	Pellet 3D printer (for recycled materials)
Mobility Smart homes	Space Power Technologies Co., Ltd.	Microwave power supply device
Mobility	Global Walkers, Inc.	Visual recognition AI model development
Energy	E-ThermoGentek Co., Ltd.	Development of power generation element that uses waste heat
Healthcare	Provigate, Inc.	Development of medical device (blood glucose measurement)

Projects in Which We Send Toyoda Gosei Employees to Work at Startups

Another objective of the CVC is to broaden the outlook of the young employees who will be responsible for the future of the company. For this purpose, we assign young engineers not only to the dedicated CVC organization, but also to various engineering departments that serve as support organizations. They can experience new insights by coming into contact with technologies and cultures from different industries that they have previously been unexposed to, through which we hope to foster new ideas and flexible ways of thinking within the company.

We are also implementing a project in which young employees are sent to work at the startups in which

we have invested in order to make new discoveries and gain insights by looking at our company from the start-up's point of view.

So far, four young employees have been sent to these start-ups, where they are performing new work in environments they have never experienced before.



Together with S lab Inc. employees (Haruka Ibusuki, New Value Creation Division; front row 3rd from right)

VOICE / Haruka Ibusuki New Value Creation Division

I was sent to work at S lab Co., Ltd., a 3D printer manufacturer, in April 2022. Here I work with management in looking at how to strengthen the company's organizational structure, as well as its management and sales strategies, with a view to a future stock listing. I am also involved in the implementation and follow up of plans that have been made. This industry is different, and I have had to work at a speed that I could not have imagined before. I felt a little lost at first, but it has been a very valuable experience that I would not have known without actually working in a start-up.

New Business Creation Process

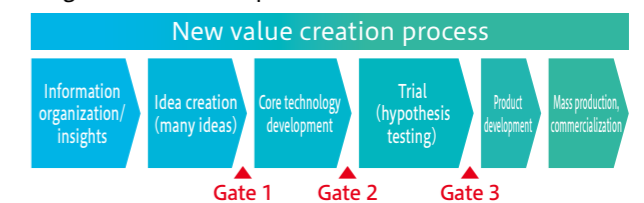
For the more effective use of internal capabilities, we established a new organization called the New Value Creation Division in January 2022. It was formed to promote activities that create new value from within the company, rather than simply depending on external organizations through CVC.

First, new business plans and ideas that different departments had been working on independently were brought together in the New Value Creation Division, which then centralized all the information. Next, the processes for creating new business were clearly defined, and the items to be checked for each process were clarified. At the same time, stage gates were set up to check each milestone. In this way, a system was started that enables timely decisions on whether the necessary recovery and business development is possible and on efficient management.

In the design generation stage, a large number of ideas are proposed without trying to winnow

them down (high production). Hypotheses are then formulated on customer value and market size, and verified step by step. Technical development target levels and how close we are to those levels are assessed from multiple perspectives. Development themes are then prioritized, resources are allocated to key activities, and missing pieces are examined (external use). By following this process carefully and managing the gates, we will eliminate rework, arrive at carefully-selected and high-quality themes, and accelerate new business creation.

Stage Gate Review Steps in New Value Creation Process



Business Idea Contest

In trying to create new businesses, we started the Business Idea Contest in the hope of soliciting ideas from a wider range of employees. This system encourages boldness in stepping forward with attempts to actively propose interesting ideas that come to mind. These contests were launched in FY2021, and the first one received 125 applications, far exceeding expectations. Two excellent ideas were selected and research activities were begun.

We see that an attitude and culture of "new value

creation for the future" has been cultivated and is taking root within the company.

We will continue to advance these various measures and actively promote activities that support sustainable growth.



During Business Idea Contest

Initiatives and Progress in Our 2025 Business Plan

Mid-Term Business Plan (2025 Business Plan)

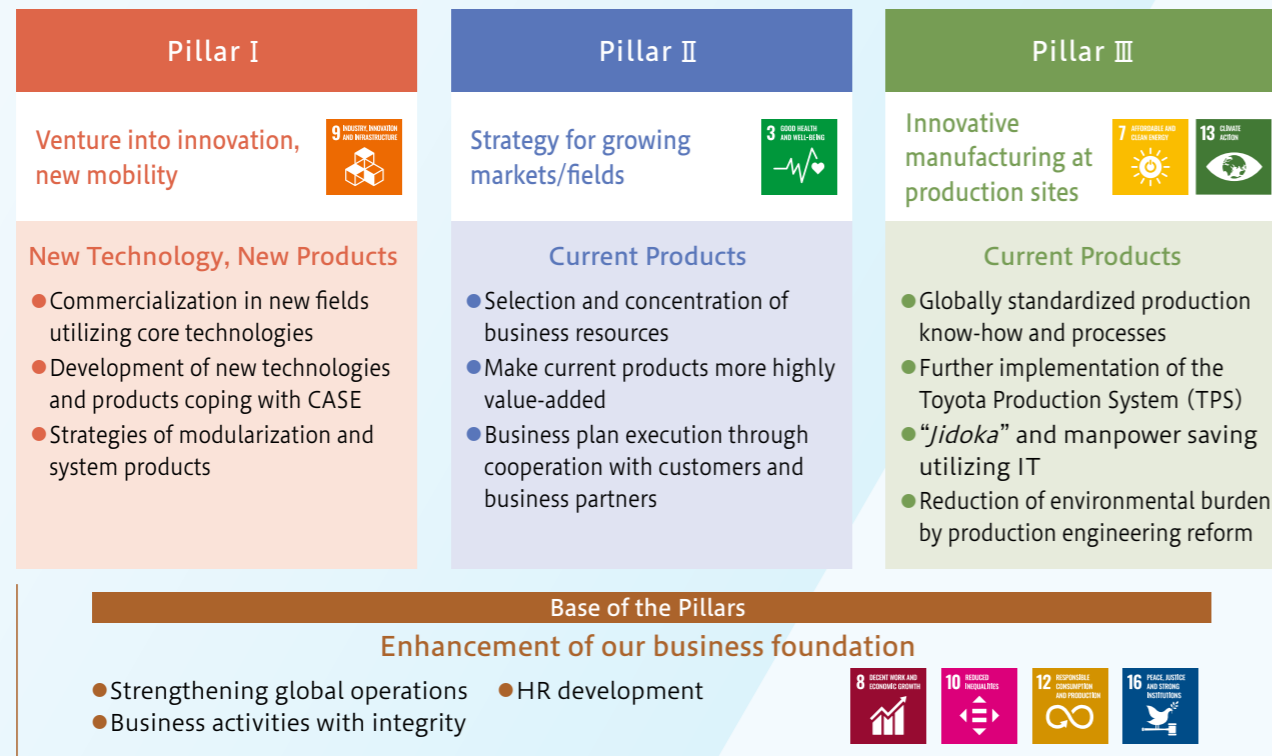
To deal with the significant changes in the business environment and achieve sustainable growth into the future, Toyoda Gosei's 2025 Business Plan for the medium term lays out three key areas that take advantage of the Toyoda Gosei Group's cultivated strengths. We are making efforts tied to materiality that will provide both social and economic value.

What We Aspire to Be

Toyoda Gosei aims to grow as a global company that acts flexibly and swiftly in today's dramatically changing business environment, delivering the highest levels of satisfaction to customers worldwide through **safety, comfort, well-being and the environment**

Financial Objectives

	FY2017 (J-GAAP)	FY2025 (IFRS)
Revenue	¥806.9 billion	More than ¥1 trillion
Operating profit ratio	5.1%	8%
ROE (Return on equity)	6.6%	10%



Financial Policy

Shareholder returns	Regarding shareholder returns for the time being, we will work wholly to reward shareholders based on a consolidated payout ratio of 30% or greater, from a variety of perspectives.
Capital investment	We will secure 50 billion yen by FY2025 as funding for capital investment for growth.
Cash reserves	In view of the prevailing circumstances, we will secure cash reserves* of consolidated monthly turnover plus 30 billion yen including funds to cover risk. *Short-term borrowings (less than one year) are excluded.

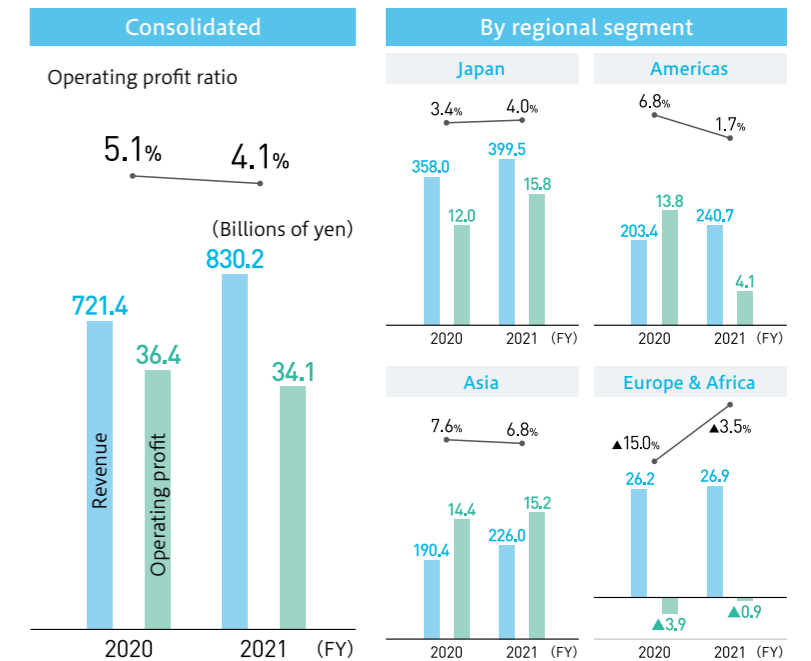
Assessment of Our Current Status

Although sales revenue increased in FY2021, mainly due to the recovery of production from the cutbacks caused by COVID-19 the previous fiscal year, operating profit fell and the operating profit ratio dropped 1 percentage point to 4.1%. This was due to significant changes in the external environment, including deteriorating raw material market conditions, mainly in the Americas, poor tracking of the rapid production volume changes due to the semiconductor supply shortage, and rising logistics costs.

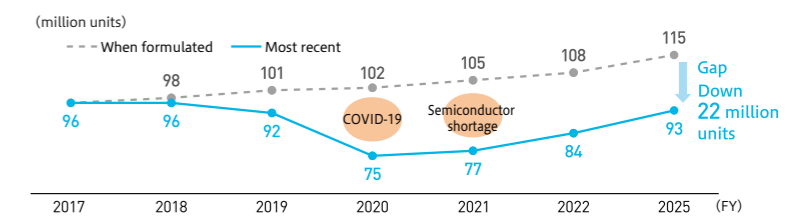
Looking at our progress toward the management targets of the 2025 Business Plan under such circumstances, we find that although the global automobile production forecast (see figure on right) is lower than when the plan was formulated, non-Toyota sales, mainly of SS products, and sales of IE products are growing steadily and we are on track to achieve the revenue target of 1 trillion yen.

At the same time, as mentioned above, our operating profit ratio fell by 1 percentage point in FY2021 from the previous year, due mainly to the sluggish performance in the Americas. Despite these harsh conditions, we are aiming for a rate of 5% in FY2022 through profit improvement measures. After that we will continue to increase added value and reduce costs, the entire company making concerted efforts to achieve our target operating profit ratio of 8%.

FY2021 Results



Outlook for Global Vehicle Production



Future Initiatives to Achieve Management Goals

We are working from both short-term and medium- to long-term perspectives to achieve an operating profit ratio of 8%. Our short-term initiatives are to reinforce our business, mainly in the Americas, focusing on three key initiatives.

The first is to reduce the impact of material market conditions. We are working to minimize the impact of material market conditions by reducing material losses through yield improvement and other measures, and reducing the amounts of materials used, while also negotiating with automakers to pass on some of the prices. The second is a flexible response to sudden production fluctuations. In the previous fiscal year, we were unable to respond flexibly to sudden fluctuations in production volume, resulting in increased direct labor costs. To counter this, we are receiving more detailed information on production plans from automakers than ever before, while also optimizing the allocation of personnel in the production process. We are making improvements to our production system so that we can receive the benefits of increased sales when production stabilizes in the future.

The third is to push further cost improvements. We have always tried to make cost improvements, but now we are putting greater emphasis on rationalization than in previous years by improving processes, strengthening loss reduction, and reducing labor needs through "jidoka". This is also being done with a view toward future recruitment difficulties.

Medium- to long-term initiatives will be made to increase added value by introducing high-value-added products and high-performance airbags in the growing SS business (▶P.24), and new high-value-added products for the BEVs that will come into wider use (▶P.26). We also aim to develop new businesses, taking new technologies and the demand for carbon neutrality as opportunities.

In addition, we will strive to reduce costs through our manufacturing innovation strategy (▶P.39) and a switch to low-cost materials with low CO₂ emissions, as well as a review of our business portfolio mix to achieve the targets in our 2025 Business Plan.

Initiatives and Progress in Our 2025 Business Plan

SS Business Area

With our abilities in product development using world-class CAE analysis technology,*1 we will provide high-quality, low-cost airbags to all regions to help solve social issues and achieve business growth.

*1 Computer-aided analysis technology in the machine design process.

Issues

- Product development to correspond to more types of accidents
- Development of network to handle growing global market
- Product development to keep up with the changes in automobiles

Strengths

- Product development using world-class CAE analysis technology
- Development and production locations that cover expanding regions
- Ability to propose systems with peripheral components added to airbags

Key Initiatives in FY2021

In new product development, we began mass production of airbags that protect pedestrians, who account for the majority of traffic fatalities. The airbags cover rigid sections of the vehicle, such as the front pillars and the lower part of the windshield, that can easily lead to fatal injuries. By optimally adjusting the internal pressure for each area, the airbags reduce impacts to the head. The world-class CAE analysis technology used in the development of this airbag has also shown its advantages in the development of BEV airbag systems to achieve target performance. This will be reflected in future mass-produced BEVs. In another area, we established a new plant in Mexico to increase our airbag production capacity. This will build up our production network so that we can meet growing demand.



Pedestrian protection airbags

Future Initiatives

We aim to develop high-performance products and speed up development through collaboration with seatbelt and inflator manufacturers to meet the changes in the business environment, such as the spread of BEVs and autonomous driving.

In addition, we will increase our airbag production capacity in the key markets of China, India, and Southeast Asia, where further growth in demand is expected. Preparations are underway for the establishment of a new plant in South China with a targeted start of production in the summer of 2023. The “TG Advanced Plant Concept” will be key to operations at the new plant. This concept will then be sequentially introduced at other global locations.

IE Business Area

We will expand our business by developing products and production engineering that meet performance requirements that are changing with CASE, and by developing environmentally friendly materials and manufacturing methods and adopting them at our production facilities.

Issues

- Development of products and production engineering that captures trends in design and functional needs
- Lower costs, higher productivity with “jidoka” and production engineering improvements
- Supplying optional parts that correspond to diversifying user needs

Strengths

- Development, product design, and production engineering abilities to achieve various decorations, such as painting, plating, LED illumination, and surfaces, and mechanical products with high quality
- Plants that have the latest production engineering for our main manufacturing methods of painting, plating, molding and more.

Key Initiatives in FY2021

Taking advantage of our product design and production engineering capabilities that give rise to a wide range of high quality decorative techniques and products, we developed a new lacquer black plating that combines a lustrous feel and deep black coloring, and an LED illuminated emblem that contributes to the forward-looking design suited to BEVs, the first to be adopted in Japan. In addition, to strengthen our production network, we enlarged plants and introduced new equipment to respond to increased sales of radiator grilles and other products at US locations, which is a key overseas market for us. In Japan, we started production at a new plant in Miyagi Prefecture. It is a state-of-the-art plant that combines efficient manufacturing using the latest painting equipment and collaborative robots with environmentally friendly practices such as the use of renewable energy.



Illuminated emblems

New Miyagi Ohira Plant

New lacquer black plating

Future Initiatives

We will propose products compatible with the sensing technology necessary for CASE, interior products incorporating human machine interfaces (HMI) and other technologies, and new instrument panels combined with airbags.

The new trend for automobile subscriptions will stimulate the optional parts market. Toyoda Gosei aims to increase value by accepting orders for mass-produced products and optional parts in sets through integrated planning, and meeting the needs for embellished interiors and exteriors with the use of advanced decorative technologies.

We will also grow our business in line with environmental considerations by utilizing environmentally friendly and recycled materials and developing clean plants, facilities, and manufacturing methods.

Initiatives and Progress in Our 2025 Business Plan

FC Business Area

We aim to achieve further growth by expanding global sales of fuel system products that reduce vehicle weight and meet emission regulations, building a development and production network for products to be used on the electric vehicles of the future, and new environmentally friendly businesses.

Issues

- Development of BEV low CO₂ emissions products (nature-derived materials, material recycling applications, lighter weight, more)
- Remaining fuel system product development and product development for BEVs while ensuring production resources

Strengths

- Environmentally friendly product development that leverages our knowledge in the fields of rubber and plastics
- Technology and manufacturing to produce important safety products with high quality
- Global supply network

Key Initiatives in FY2021

We are promoting an all-round strategy to grow global sales of plastic fuel filler pipes and fuel tank peripheral components for gasoline and HEV/PHEV vehicles, and investing resources in advanced development and facilities investment for BEVs and FCEVs.

Carbon neutrality initiatives include design and manufacturing method development utilizing knowledge from our strengths in the field of rubber and plastics to achieve weight reduction through thinner walls and to replace metal with plastic materials.

Future Initiatives

We will pursue business expansion in all directions, including the development of low-cost fuel system products for sealed tank systems for HEVs/PHEVs, cooling pipe and battery pack products for BEVs, and full-scale mass production of tanks for FCEV passenger and commercial vehicles.

With a view to achieving carbon neutrality, we will seek the effective use of rubber resources through our original desulfurization and regeneration technology and the use of naturally derived and recycled materials utilizing our knowledge of polymer materials.

Power trains	Gasoline vehicles	HEVs PHEVs	BEVs	FCEVs
Functions				
Storage / control / supply	Fuel tank peripheral parts	Changes	High pressure hydrogen tanks	Battery cases
	Plastic fuel filler pipes		FC stack manifolds	
Cooling			Growing volume	Electric vehicles have high cooling needs, and pipe length is about four times that in gasoline vehicles

WS Business Area

We aim to contribute solutions to social issues and ensure reliable profits through product development and manufacturing activities centered on quietness technology and a carbon-neutral, circular economy.

Issues

- Establishment of sustainable seal product business while using rubber materials with high CO₂ emissions and that are difficult to recycle
- Meeting the needs for greater quietness with electrification while also lowering product cost

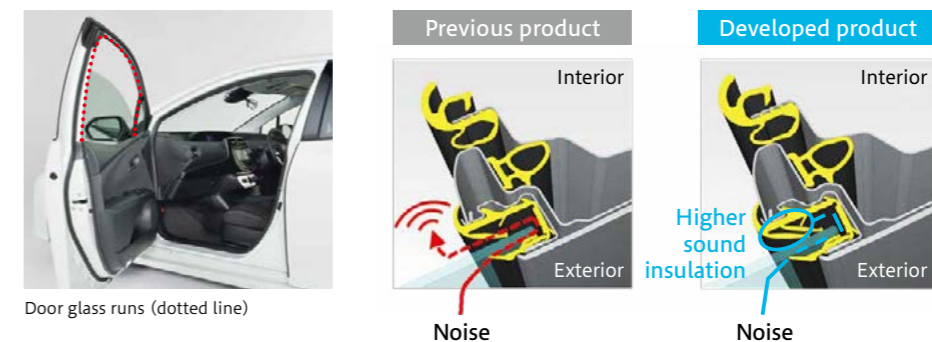
Strengths

- Rubber desulfurization and regeneration technology
- Product development abilities and evaluation technology abilities that contribute to improved quietness, leveraging our knowledge in the fields of rubber and plastics

Key Initiatives in FY2021

To improve profitability, we are seeking to reduce costs through production lines that are automated and do not require high skill levels.

We are also reducing waste and CO₂ emissions by reusing rubber waste in the plant with our rubber desulfurization and regeneration technology. To raise the added value of our products, we have been working continuously with the testing division to develop technology for quietness. We identify vehicle weaknesses that contribute to lack of quietness, and develop and propose quietness-enhancing products by improving these weaknesses. In FY2022, we are starting mass production of door glass runs that will be used on the Lexus.



Future Initiatives

To contribute to a carbon-neutral, circular economy, we aim to improve the quality of recycled rubber and increase recycled rubber production. At the same time, we will look into switching to plastic for some products for even lower CO₂ emissions, depending on the product characteristics, and work to increase the recycling rate.

We also aim to improve the profitability of this business overall by developing technologies to expand the range of uses for recycled rubber and plastic materials and developing seal structures that will enable us to maintain high quietness performance and cost competitiveness.

Initiatives and Progress in Our 2025 Business Plan

Life Solution Business

In the non-automotive area, we are expanding our UV-C and other LED business and working toward commercialization in power semiconductor devices and other new fields.

Issues

- Expansion and increased sales of industrial machinery parts and the LED business
- Accelerated establishment of technology for earlier commercialization in new fields

Strengths

- Knowledge in LED field, materials
- Industry-academia-government collaboration

UV-C LED Business

Key Activities in FY2021 and Future Initiatives

We launched several new UV-C LED products in FY2020 in response to COVID-19 pandemic, and are now developing and marketing various products in the three areas of air sterilization, water purification, and surface sterilization. In the air sterilization field, we started with a UV-C space disinfectant, which traps bacteria and viruses in a filter and eliminates them by irradiation with UV-C LEDs, and then introduced a compact UV-C personal air disinfectant and deodorizer, which also has a deodorizing function. We are currently developing new products to further expand our product lineup. In the field of water purification, we sell a UV-C water purification unit, and in the field of surface disinfection, we sell a UV-C disinfection box and a UV-C high-speed surface disinfection unit. We are developing new products in these areas as well.

To make it easier for the general public to purchase our products, we have started an online store where some of our products can be purchased directly over the internet. We will continue to develop UV-C LEDs with higher output and longer life and expand the use of UV-C LEDs to facilities where mercury lamps are used, such as water purification plants, in order to provide safe and secure spaces.



Power Device Business

Key Activities in FY2021 and Future Initiatives

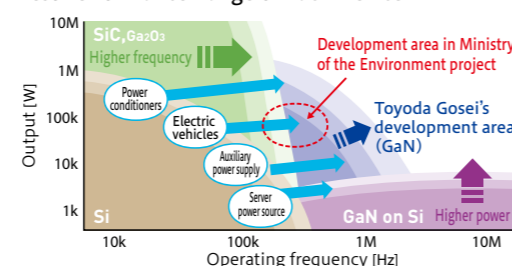
Power semiconductor devices are used for power control in industrial equipment, automobiles, home appliances, and other applications. We are developing substrates and elements for these devices using GaN materials. Currently, power devices use mainly Si and SiC materials, but with these materials there is a problem of large switching loss.* Higher frequency and higher power can be expected with the use of GaN materials. We are conducting development in collaboration with industry, academia, and government, using the knowledge we have cultivated over many years in the field of blue LEDs. In a project sponsored by the Ministry of the Environment, we succeeded in producing high-quality GaN seed crystals of more than 6 inches in size, among the largest in the world, utilizing a method of growing GaN crystals in liquid metal mixed with sodium and gallium (sodium flux method).

With a view to future commercialization, we are accelerating the development of elements with improved characteristics, supplying samples, further improving the quality of seed crystals, and increasing the diameter of substrates. We also aim to enter the market for data centers by 2025. Beyond that, we are looking to apply the technology to automotive applications.

*Energy losses to heat, etc. generated during DC ↔ AC conversion



Best Performance Range of Each Device



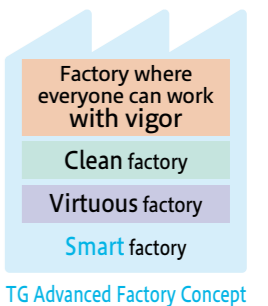
Manufacturing Innovation Strategy

The new Miyagi Ohira Plant was established under the TG Advanced Plant Concept banner. Evolution is also continuing at the expanded Seto Plant and a new plant in South China to double productivity and halve CO₂ emissions.

Aims of the Manufacturing Innovation Strategy

The TG Advanced Factory Concept has been established to respond to various changes in the environment, such as diversifying customer needs, the growing labor shortage, and stricter laws and regulations to cope with global warming, and to ensure the competitiveness of the entire company for continued growth. It incorporates three concepts centered on the high productivity smart factories that have been developed based on the Toyota Production System. We have been steadily putting this concept into practice as we move toward doubling our productivity and halving our CO₂ emissions.

The first concept is that of a "virtuous factory." In-process location information and manufacturing conditions are linked by data down to the individual product; even human intuition and know-how are converted to digital data. With the use of AI, we can deliver safety and security to our customers by not creating or passing on defects. The second concept is the "clean factory." We will minimize energy consumption through process innovation focused on integration and downsizing, with an emphasis on the heating process for our mainstay plastics and rubber. The third concept is that of "a factory where everyone can work with vigor." Tedious or heavy tasks are automated through the use of automated conveyance, automated visual inspections, and collaborative robots so that workers can concentrate on tasks that can only be performed by humans, such as maintenance improvements. This will increase the satisfaction and motivation of skilled workers.



Key Initiatives in FY2021

The new Miyagi Ohira Plant, which began production operations in July 2022, is the first plant launched under the TG Advanced Plant Concept. It embodies the TG Advanced Factory Concept in the three key areas of (1) "jidoka" and labor savings, (2) carbon neutrality, and (3) factory DX, and will help to achieve sequential production and reduced per-product CO₂ emissions by taking advantage of its location close to the customer.



(1) "Jidoka" and Manpower Saving		(2) Carbon Neutrality		(3) Factory DX	
Smart	Vigor	Smart	Clean	Smart	Virtuous
Collaborative robots perform everything from parts assembly to transfer to carts. Sequential production is achieved in combination with versatile fixtures. Automated guided vehicles (AGVs) handle all in-plant transport, and are linked with IoT to enable optimal transport. Productivity improvement of 30% is achieved [Smart], while humans are freed from assembly and transportation work [Vigor].		In addition to the use of solar power in the plant, all molding and setup machines on molding lines have been converted to electric power. In the painting process, the painting booth has been made more compact by improving the painting robot's range of motion, resulting in a 20% increase in productivity [Smart] and a 30% reduction in CO ₂ emissions [Clean].		Each product, from material introduction to shipment, can be traced with the use of QR printing. The data are then displayed on AR glasses to deter human errors such as picking up the wrong parts. Different conditions are also converted into data and used for improvement. Productivity is increased by 30% [Smart] and the passing on of defects is eliminated [Virtuous] by not creating points of variation between humans.	
Transport using AGVs	Part assembly process with collaborative robots	All-electric molding line	Painting robot	Using wireless AR glasses	Automatic QR printing with a laser marker

Future Initiatives

The new Miyagi Ohira plant was the starting point for TG advanced factories, and these activities have continued to evolve with the expanded Seto Plant and a new South China plant. They will also be spread to existing plants as part of our restructuring initiatives in Japan and overseas.

In the future, we will implement manufacturing innovations with the ideal of realizing the "TG One Factory Concept," in which each plant of the global Toyoda Gosei Group is operated as part of one large plant.



Message from the
Officer in Charge
of Finance



Aiming to improve corporate value by implementing financial strategies and completing the job to achieve the 2025 Business Plan

Hiroshi Yasuda

Director, Corporate Officer
Chief of Corporate Strategy
Headquarters

2025 Business Plan Initiatives

Review of FY2021 Financial Results

The financial results for FY2021 were significantly affected by changes in the external business environment. In addition to soaring material and logistics costs and rising wages, there were also sharp fluctuations in production volume due to the semiconductor supply shortage, resulting in some losses to the production system. The Americas in particular was greatly affected by changes in the business environment with the profit margin of the entire consolidated region dropping unavoidably by about 1 percentage point.

Initiatives for FY2022

Although external factors will be the same or greater in FY2022, we not only regard improving the profitability of our Americas business as our top management priority, but will also work to improve profitability by focusing on three key themes.

The first is to reduce the influence of the materials market. As well as working to reduce material losses by improving yield, we will negotiate on prices, mainly for those materials that have no rules when it comes to passing on costs. The second is dealing flexibly to fluctuations in production volume. In the previous fiscal year, we were unable to adapt to the sudden decline in production, leaving us with the burden of direct labor costs. However, we are working to minimize the effects of labor costs by reviewing the number of personnel allocated and better assigning employees based on advanced forecasts. When production stabilizes in the future, we will establish a production system so that we

can firmly enjoy the effects of increased sales. The third is promoting cost improvements. We will aim to cut costs to a higher level than before by making improvements to our processes, reducing losses, and benefiting from investments made to automate the manufacturing process, which we have been undertaking. Although the external business environment is likely to continue to deteriorate due to soaring material and energy costs, we will focus on these three themes centered on the Americas, aiming for previous profit levels at an operating profit ratio of 5%.

Progress of the 2025 Business Plan

Next, I would like to discuss how the 2025 Business Plan has been coming along. The plan itself is in its final stages with only three years remaining. Despite revenue in FY2021 of ¥830 billion, which is about ¥170 billion lower than our target, we are largely on track toward our sales target of ¥1 trillion with sales growth centered on the Safety Systems (SS) and the Interiors and Exteriors (IE) businesses. Conversely, operating profit ratio remains in the 4-5% range owing to a significant drop in net sales in FY2020 because of COVID-19 pandemic and, as mentioned above, a deterioration in the external business environment in FY2021. There is a gap to our target operating profit ratio of 8%, so it is imperative that we improve profitability. In the short term, we are looking to improve the profitability of our Americas business, and in the medium to long term, we aim to improve our portfolio mix by introducing high-value-added products geared toward the growth areas of our SS business and battery electric vehicles (BEVs). In the

SS business, we will not only generate more added value through new technology that meets changes in the business environment, but will also work to reduce costs by automating as well as standardizing components. With more BEVs on the road, the part of the vehicle where the battery is mounted will invariably need to be strengthened owing to the nature of the vehicle chassis. Because of this, it is predicted the impact on the occupants in the event of a collision will be more severe, and as such, the airbags' shock absorption will need to be improved. It is also expected that compact BEVs will become more popular, but since compact cars require even greater shock absorption, it will be necessary to improve added value. In other businesses as well, while there is demand for futuristic designs and advanced interiors that characterize BEVs, it is also necessary to improve power consumption by reducing weight and improving aerodynamic performance. Major changes are expected in the business environment, but we see these changes as business opportunities. As such, we will work to improve profitability by leveraging Toyoda Gosei's strengths in balancing design and functionality, as well as our ability to make proposals.

Status of Financial Policies

—Responding to issues based on environmental changes

Toward an ROE of 10%

To stably achieve capital efficiency in excess of our cost of equity, we are targeting a 10% return on equity (ROE) under our 2025 Business Plan. To achieve this goal, we have quickly been reducing unprofitable businesses. For instance, we downsized the optoelectronics business, divested a German subsidiary, and closed our base in the U.K. As a next step, improving profitability is imperative for us. We aim to achieve an ROE of 10% by improving the operating profit ratio through the proposal of products that add value using changes in the business environment as an opportunity.

Approach to Capital Investment

Over the past few years, we have contributed to achieving our sales targets by aggressively making capital investments mainly in the SS and IE businesses. The new plants we build will be smart factories that double productivity and halve CO₂ emissions. These smart factories will improve our competitiveness as well as help us adapt to the predicted shortage of workers and enable us to realize carbon neutrality. We will also work to expand globally, strengthening the foundation we are built on.

However, due to the recent impact from COVID-19 pandemic and the sudden drop in production, sales

did not meet expectations. This brought about discussions on fixed costs, especially in terms of footing the bill for depreciation costs. While investment is expected to increase in growth areas such as BEVs and the move to carbon neutrality, we will make decisions that place more emphasis on investment efficiency through more stringent assessments on the recovery of fuel system parts, etc., a market which is expected to contract. In addition to the conventional approaches of sales growth and profitability, we will aim to achieve ROE targets while improving profitability. We will do this by substantiating our investment efficiency in terms of the region, business, and product, using the new metric of return on invested capital (ROIC) as a benchmark.

Approach to Cash Reserves

Next, I would like to talk about funding. From a global perspective, while we see regions with robust capital requirements, there are regions with a financing surplus, resulting in an imbalance between regions. On a consolidated basis, both cash and borrowings are used, which makes for a rather inefficient financial position. We will strive to improve capital efficiency by building a framework for flexibly diverting funds on a global basis led by headquarters.

Globally, there is no change to our policy on securing more than ¥30 billion in monthly turnover, including funds for risk management after learning the lessons from the Great East Japan Earthquake.

Lastly, regarding dividends, there is no change in our goal, stated in our financial policy, of a consolidated dividend payout ratio of 30% or more. We will continue to work to meet the expectations of our shareholders from many different perspectives.

In Closing

At this time, we are in the final stages of our 2025 Business Plan. We aim to achieve our goals by proposing high-value-added products centered on the SS business, where sales growth is expected, to improve profitability.

Currently, the automobile industry is in a period of transformation and the external business environment is changing, but we see this as a great business opportunity for the Company. Looking ahead to 2025 and beyond, I would like to break away from the same initiatives we have seen before and make every effort to enhance our corporate value while improving our portfolio mix.

We will continue to step up our investor relations as a transparent company, striving to gain widespread favor to become the company of choice.

Environment

Taking on the challenge of carbon neutrality and a circular economy with the concerted strength of the Toyoda Gosei Group

Global warming and the problems of resource depletion and waste that result from mass production and disposal have become issues common to the entire world. Under the slogan of "A Greener, Richer World for Our children," Toyoda Gosei is accelerating Group-wide initiatives to achieve a carbon-neutral and circular economy as soon as possible, fully leveraging our strengths in rubber and plastic polymer technology in both production and products.

Contributing to Environmental Preservation Through All Our Business Activities

Basic Philosophy

The Toyoda Gosei Group formulated its 1st Environmental Action Plan in 1993 based on its environmental policy, and since that time has been actively confronting environmental issues. In February 2016, we announced our TG 2050 Environmental Challenge, and have set targets to be reached by 2030 as milestones. We have also formulated a 5-year action plan in which activity items and targets are set, and are carrying out activities to pro-

tect the environment.

Globally, we have set integrated environmental functions in Japan and the regions of the Americas, China, Southeast Asia, and India. The Group is also making efforts as a whole with area control in five global regions, the above four plus Europe/South Africa. These initiatives are made in conjunction with government agencies, customers and suppliers.

Environmental Policy

1. Environmentally-Friendly Corporate Activities

We are keenly aware that all stages of our business relate deeply to the environment, from development, production, and sales activities to end-of-life disposal. The Toyoda Gosei Group, including all internal divisions, domestic and international affiliates, and suppliers, conducts all business activities with concern for the environment in cooperation and coordination with customers, government agencies, and others.

2. Good Corporate Citizenship

As a good corporate citizen, we participate in, support, and cooperate with environmental activities by many groups while also working on environmental activities in the community and broader society. We also provide education for all employees to support them in becoming involved in environmental activities as members of the community and society, and support social contributions and volunteerism.

3. While Spreading Information on These Activities, We Listen to the Opinions of People at All Levels of Society and Work to Improve Our Activities Wherever We Can.

TG 2050 Environmental Challenge

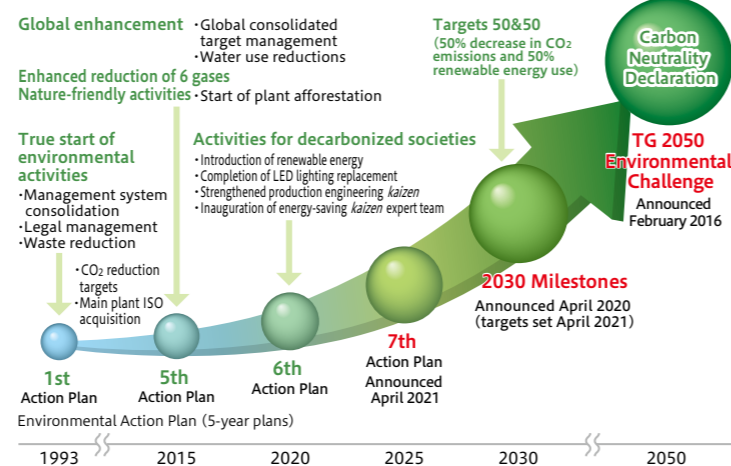
The Toyoda Gosei Group specializes in the field of high polymers—rubber and plastics. Our symbol is the benzene ring, a hexagonal hydrocarbon structure that is

the starting point for polymers. Borrowing from the six sides of the benzene ring, we have set six challenges for our environmental preservation activities with a long-

TG 2050 Environmental Challenge (Six Challenges)



Medium- and Long-Term Scenario for Achieving Carbon Neutrality



term view to the year 2050. As a roadmap to achieve that, we have set targets for 2030 (Targets 50 & 50) as milestones and formulated a five-year Environmental

Action Plan to guide our initiatives.

Environmental action plan
<https://www.toyoda-gosei.com/csr/environmental/report2/>

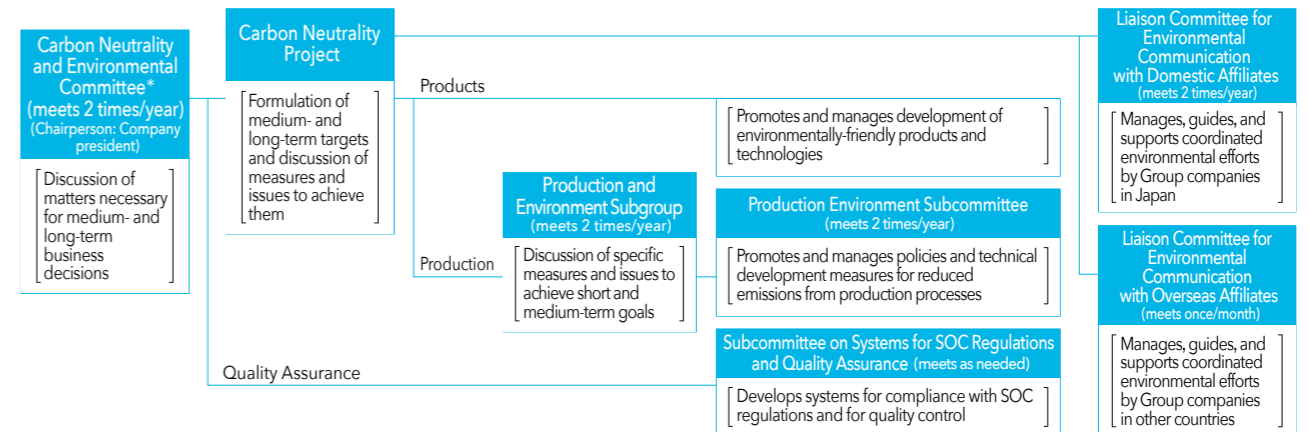
Environmental Organization

Our medium- and long-term policy and key action items are discussed and decided in a Carbon Neutrality and Environmental Committee chaired by the company president. The Committee consists of three subcommittees in the areas of products, production, and quality. In the area of production, a production and environment subgroup has been established to strengthen environmental activities over the entire manufacturing process. The above subcommittees are further broken down into working groups that promote and manage areas such as reductions in

energy use, waste products and preservation of the environment. In this way, environmental preservation and management activities are conducted from an expert perspective. Liaison meetings have also been established to share information with domestic and international Group companies.

A carbon neutrality project was started in FY2021 to accelerate initiatives over the product lifecycle. The project is headed by the president and with outside directors as advisors and the managers of related divisions as members.

Environmental Organizational Structure



* The position of the Carbon Neutrality and Environmental Committee within the organization can be seen in our Corporate Governance Organization Chart (see p. 69). Deployment from the Carbon Neutrality and Environmental Committee, the Production and Environment Subgroup, and the respective subcommittees to plants and other operations is done with the establishment of expert committees in accordance with the ISO 14001 system at each plant.

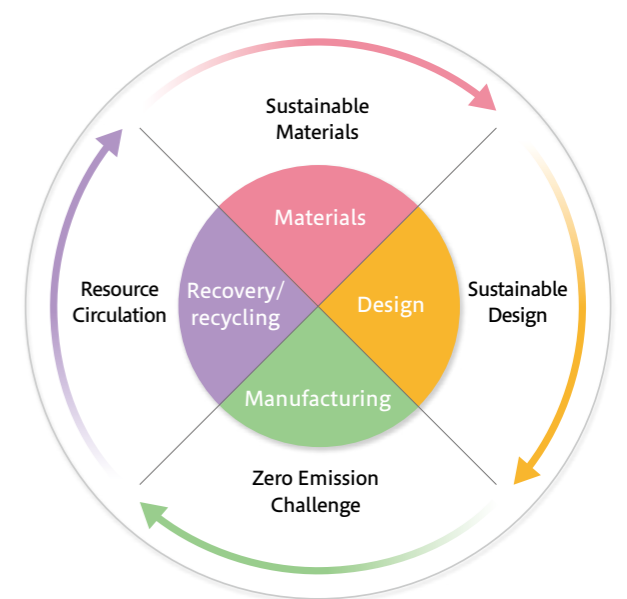
Carbon Neutrality and Circular Economy Strategy

Materials Design Manufacturing Recovery/recycling

To help us achieve the TG 2050 Environmental Challenge, we have developed a carbon neutrality and circular economy strategy for the entire life cycle of our products. Our goal is to contribute to a carbon-neutral, circular economy by taking concrete actions in the four specific areas of sustainable materials (Materials), sustainable design (Design), a zero emission challenge (Manufacturing), and resource circulation (Recovery/recycling).

- Materials** We will procure recycled materials and expand the use of biomass materials with a stable supply in mind.
- Design** We will seek designs for lightweight products, easy disassembly, and compactness.
- Manufacturing** In addition to daily improvements, we will continue to introduce innovative processes, including line downsizing and heat energy reduction, and explore the use of hydrogen.
- Recovery/recycling** We will systematically minimize the waste in our plants, while at the same time building systems to recover parts from the market.

Carbon Neutrality and Circular Economy Strategy



Environment

Building Decarbonized Societies

In addition to lighter weight products that lead to improved vehicle fuel efficiency, we are reducing CO₂ emissions through improved productivity and more efficient distribution.

Basic Philosophy

In addition to achieving the goal set under the Paris Agreement of keeping the rise in the global average temperature to below 2°C compared with pre-Industrial Revolution levels, we must reduce greenhouse gas emissions to virtually zero by the end of this century. With the aim of zero CO₂ emissions as presented in the TG 2050 Environmental Challenge, we are utilizing materials and product development skills with an eye toward next-generation vehicles in addition to the manufacturing skills we have cultivated over time. Plans for execution are included in our 7th Environmental Action Plan with activity targets for FY2025. We have also set the goal of cutting CO₂ emissions 50% (vs FY2013 levels) by 2030,

the midpoint for the TG 2050 Environmental Challenge, and implementing stepwise, specific CO₂ reductions.

Support for TCFD Recommendations

The Toyoda Gosei Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019, and has analyzed risk/opportunity scenarios and response scenarios based on guidelines. Together with an acceleration of initiatives, including the TG 2050 Environmental Challenge and review of our 2030 milestones, we are actively disclosing relevant information.

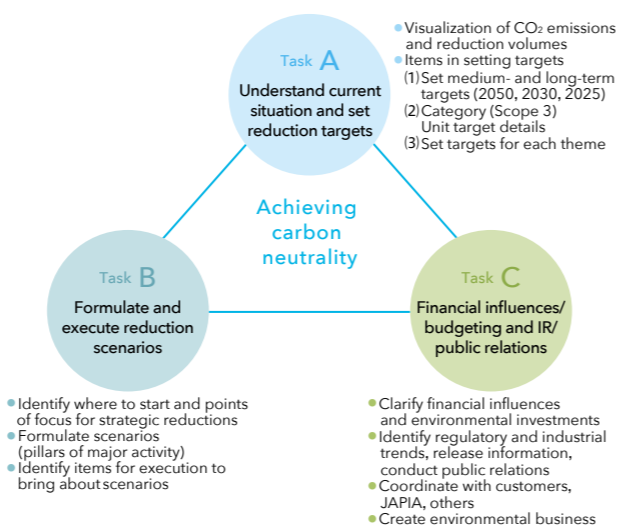
Please visit our website to see the results of our scenario analysis. <https://www.toyoda-gosei.com/csr/environmental/report11/>

Carbon Neutrality Project

We have been reducing CO₂ emissions throughout the entire lifecycle of our products, from material and component procurement and product development to the production, use and disposal stages. In June 2021, we launched a company-wide Carbon Neutrality Project to accelerate these activities.

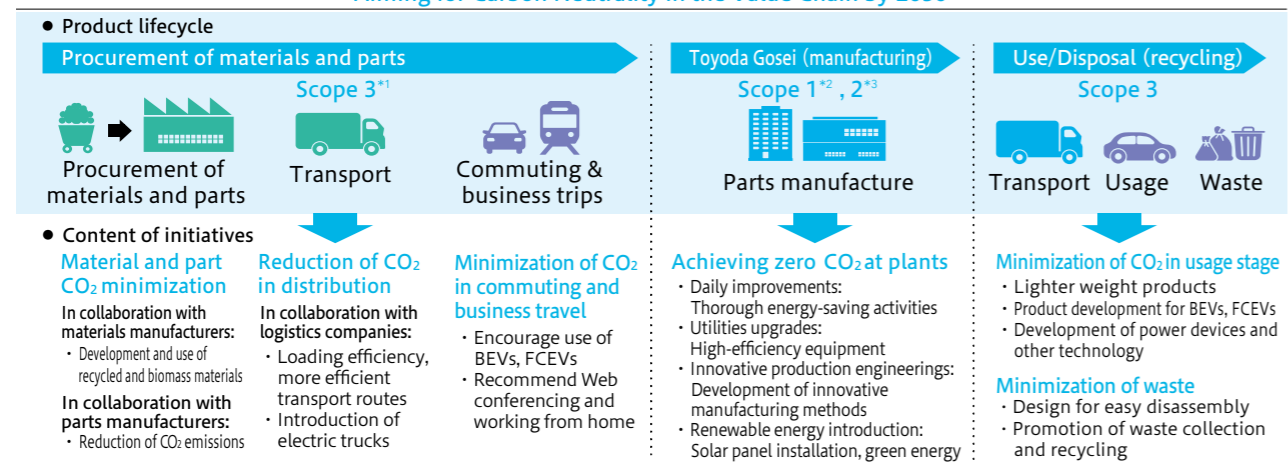
Structure The project is headed by the President and has Chiefs of the Corporate Strategy Headquarters, Research and Development Headquarters, and Automotive Business Management Headquarters serving as project leaders. The core members are division general managers and above. This structure allows for quick decisions and actions in management issues.

Activities Each task is carried out with the relevant division general manager as leader.



Reducing CO₂ Emissions in the Value Chain

Aiming for Carbon Neutrality in the Value Chain by 2050



*1 Greenhouse gas emissions in the company's supply chain that are not directly related to the company's activities (raw materials manufacture, transport, business travel, commuting, etc.)

*2 Direct greenhouse gas emissions by the company itself (fossil fuels, natural gas, etc.) *3 Indirect greenhouse gas emissions (purchase of electricity, etc.)

Reducing CO₂ Emissions

The Toyoda Gosei Group is reducing CO₂ emissions in the product stage, production stage, and over the entire lifecycle to achieve the targets set for FY2025.

Product Development Stage: Environmentally-Friendly Product Development

In the product stage, we are making headway in providing parts for environmentally-friendly, next-generation vehicles and developing products with lighter weight for greater fuel efficiency and lower energy consumption with linkage in areas of materials technology, product design, and production engineering. Examples include the development

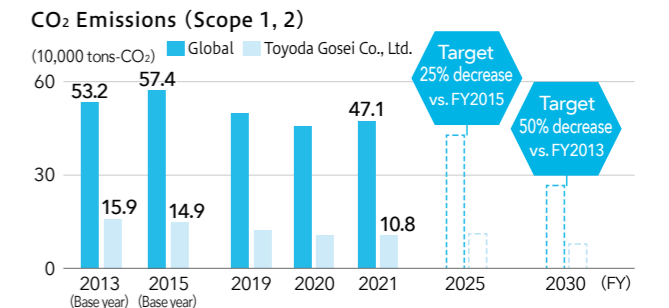
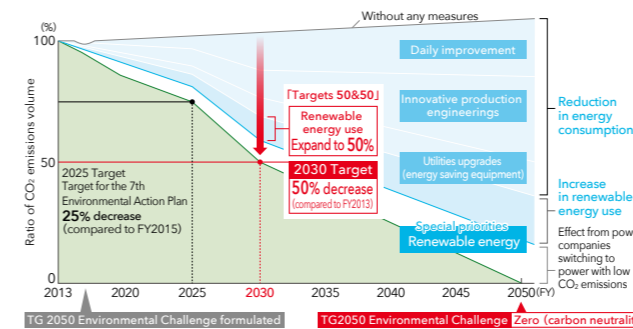
of high pressure hydrogen tanks for FCEVs and, after confirming strength and other quality aspects, aggressively switching materials (e.g., from metal or rubber to plastic) in instrument panel peripherals and other IE products and in FC parts such as hoses, reducing the number of components, integrating functions, and making lighter weight products.

Production Stage: Development of New Production Methods, Reductions Through Daily Kaizen and Other Efforts

On our way to achieving zero plant CO₂ emissions under the TG 2050 Environmental Challenge, we have set 2030 milestones that we seek to achieve through daily *kaizen* at our plants, production engineering innovations, higher efficiency of utilities and expansion of renewable energy.

Distribution Stage: Improve Loading Efficiency

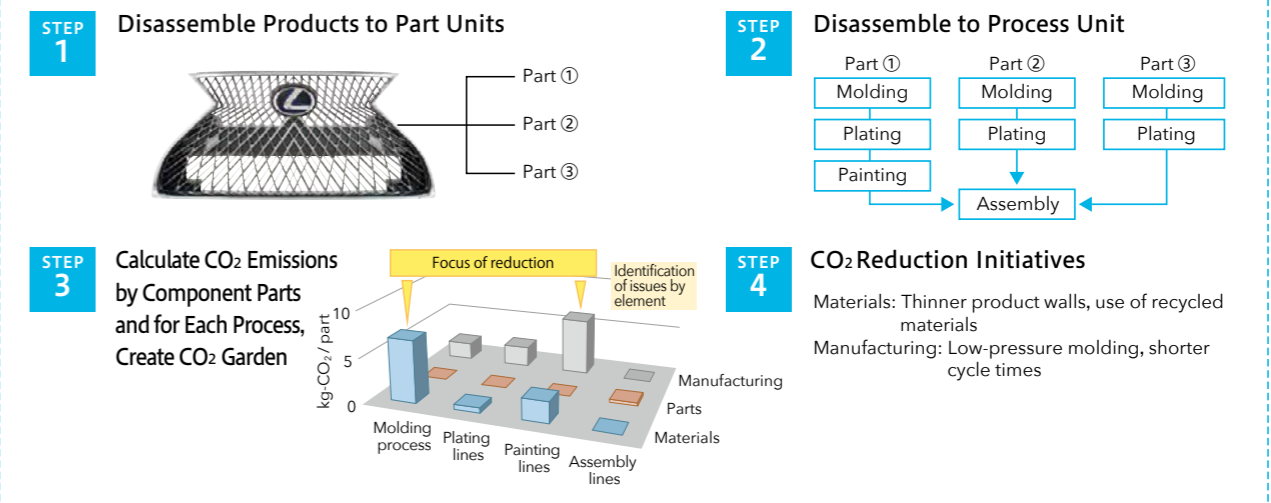
In collaboration with logistics companies, we are reducing CO₂ by improving truck loads and more efficient logistics.



Examples

CO₂ Garden — Reducing CO₂ Through Visualization

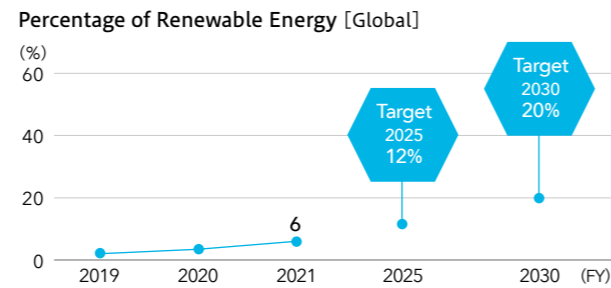
CO₂ emissions are calculated for each product in terms of its component parts and processes, and CO₂ emissions graphs (CO₂ garden) are created. We have narrowed our focus in materials, processes, and facilities, leading to effective CO₂ reduction initiatives.



Environment

Renewable Energy

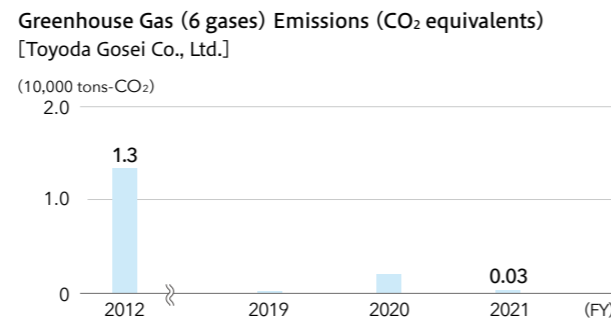
We are expanding renewable energy, including the installation of clean solar and wind energy generation equipment and the purchase of green power. This exceeded 5% of our total global electricity consumption by the end of FY2021. Our next challenge is to raise clean energy levels to at least 20% globally by FY2030.



Reductions in 6 Greenhouse Gases^{*1}

Of the six greenhouse gases, Toyoda Gosei Co., Ltd. uses three (HFC, PFC, SF₆) and is conducting activities to reduce all of them. By FY2015 we had completed a switch to alternative gases with a low environmental impact for the shield gas used in the production of steering wheel cores and other gases. We will continue these reduction activities in the future.

^{*1} Hydrofluorocarbon (HFC), perfluorocarbon (PFC), sulfur hexafluoride (SF₆), methane (CH₄), nitrous oxide (N₂O), nitrogen trifluoride (NF₃)



Environmental Impact in the Value Chain

From the perspective of preserving the earth, we have surveyed and disclosed not only GHG emissions (Scope 1, Scope 2) in our business activities but also emissions in our entire value chain including excavation of raw materials and product use and disposal (Scope 3). Our Carbon Neutrality Project was inaugurated in FY2021 to improve the accuracy of Scope 3. Together with this, we have established milestones and are making efforts to reduce CO₂ through lighter weight and recycling of raw materials for which there are high emissions.

Scope / Category	Emissions (10,000 tons)
Scope 1	10.1
Scope 2	37.0
Scope 3	172.4
1. Purchased goods and services	138.1
2. Capital goods	14.5
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	5.0
4. Upstream transportation and distribution	8.2
5. Waste generated in operations	3.8
6. Business travel	0.4
7. Employee commuting	2.3
8. Upstream leased assets	0.1

Minute amounts for other than the above, or not applicable

Building Circular Societies

Toyoda Gosei uses resources effectively and contributes to circular societies by reducing waste volumes^{*2} and water usage and designing products that are easily recyclable.

^{*2} We are currently attempting to reduce waste volumes for the minimization of industrial waste as set forth in the TG 2050 Environmental Challenge.

Basic Philosophy

As a polymer manufacturer specializing in rubber and plastics, we undertake to do our part for circular societies through the effective use of limited resources.

First, we take measures to prevent defects and improve yields centered on manufacturing floors. In addition, we are seeking ways to limit emissions and recycle materials with the involvement of our material and production engineering divisions, where all of our work starts, and expand resource circulation.

Another major problem relates to water, with water shortages and flooding in many parts of the world caused by climate change. We are therefore identifying risks in all countries and regions of the world where we have operations, and working to mitigate these risks by decreasing water consumption and recycling water, as well as returning cleaner wastewater to surrounding communities.

Risks and Opportunities Associated with Resource Circulation

The risks and opportunities associated with resource recycling are an important management issue, and we are addressing them company-wide as one of our key action items.

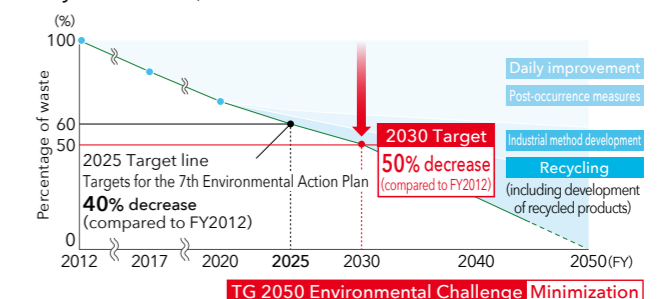
Impact items	Risks	Opportunities	Response
Depletion of resources (shortage)	<ul style="list-style-type: none"> Decreased revenue, production disruptions from difficulty purchasing raw materials and soaring prices 	<ul style="list-style-type: none"> Higher revenue from recycling technology, reduced material usage Higher corporate value from development of the above technologies 	<ul style="list-style-type: none"> Product development for lighter weight technology Development of raw material recycling technology Greater use of plant-derived biomaterials and recycled materials
Water risks (volume/quality)	<ul style="list-style-type: none"> Production disruptions from difficulty ensuring water needed in production Poorer product quality from water quality deterioration Production disruptions from water damage 	<ul style="list-style-type: none"> Higher revenue from reuse of water, decreased usage Higher corporate value from development of the above technologies 	<ul style="list-style-type: none"> Development of water reuse technologies Greater use of rainwater Review of production networks, review of electric facility installation sites

Waste Reduction

Establishment of 2030 Milestones

As we move toward the circular societies envisioned in our TG 2050 Environmental Challenge, we aim to minimize emissions volumes and have set targets as 2030 milestones for the effective use of resources, including measures to limit emissions and control their source, recycling of rubber and plastic scrap, and reducing waste through careful and thorough separation.

Scenario for Minimizing Amount of Waste (reduction image) [Toyoda Gosei Co., Ltd.]

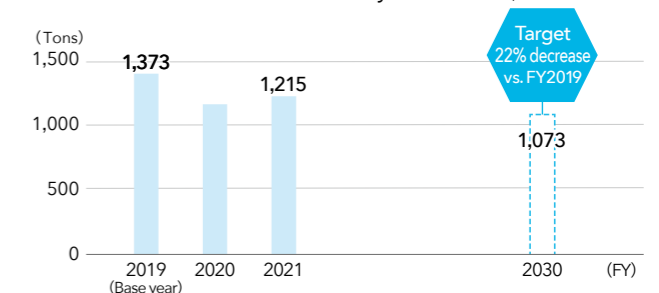


Satisfying the Plastic Resource Circulation Act

The Plastic Resource Circulation Act went into effect in April 2022, and with a view to our contribution to carbon neutrality, we are committed to designing and manufacturing environmentally friendly 3R + Renewable products.

We have also set new 2030 targets for industrial plastic waste volume and are working for plastic resource circulation.

Plastic Industrial Waste Volume [Toyoda Gosei Co., Ltd.]



Environment

Development of Product Recycling Technology

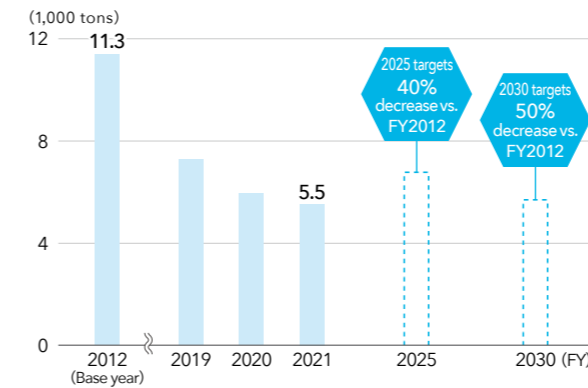
Materials Design Manufacturing Recovery/recycling

We develop and design easily recyclable products and materials with thought to the entire lifecycle of automobiles. We are also developing recycling technology for waste material.

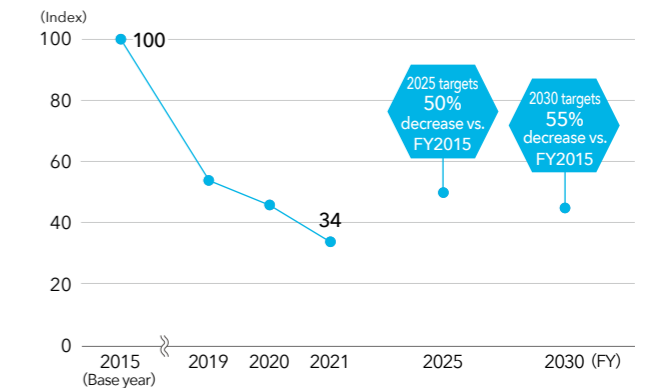
Development of Technology for End-of-Life Vehicle Parts Recycling

Key items	Measures implemented
New recycling	<ul style="list-style-type: none"> Composite material separation technology New recycling technology (high quality material recycling)
Use of recycled materials in vehicles	<ul style="list-style-type: none"> End-of-life vehicle recycling technology Development of applications for recycled materials
Product design for easy recycling	<ul style="list-style-type: none"> Product design for easy disassembly Materials and composition changes for easy recycling

Amount of Waste [Toyoda Gosei Co., Ltd.]



Waste Volume per Sales Unit (index)¹ [Overseas Group companies]



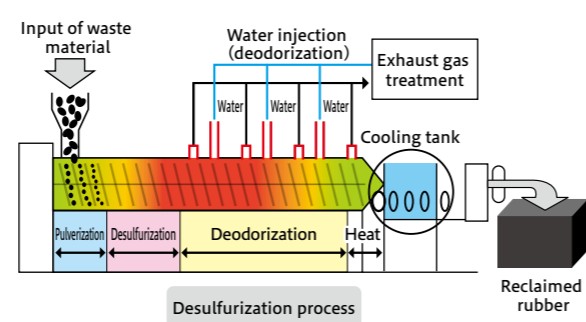
*1 A figure obtained taking the base year as 100

Examples

Full-Scale Operation of Rubber Recycling Processes to Achieve FY2030 Targets

We aim to reduce waste materials by 50% (compared with FY2012 levels) by 2030 on our way to achieving carbon neutrality in 2050. In April 2021, recycling processes for four types of weatherstrips were brought together in a dedicated building. By restoring waste rubber to a raw material state with our original technology and using it in new products, we expect to reduce waste by about 600 tons. This should also have an effect in reducing CO₂ emitted during raw material transport and the incineration of waste. In addition, we hope to contribute to reducing the environmental impacts of the industry overall, by using this recycled rubber not only inhouse but also selling it to other companies.

Weatherstrip Recycling Process



Reducing Water Risks

Manufacturing

We have set and are working toward 2030 milestones to achieve the targets in the TG 2050 Environmental Challenge. For this we are assessing risks in both water usage and water quality in Japan and international locations, and making improvements at high-risk locations. Even in places where risks are low, we are

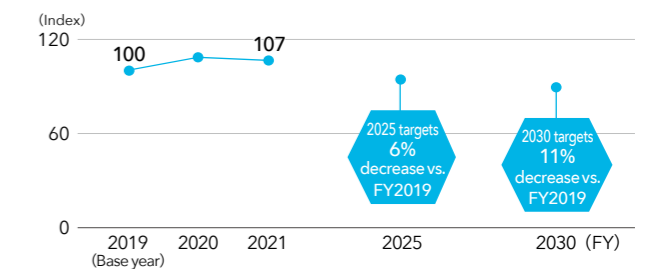
trying to reduce water intake amounts for the effective use of resources.

In FY2021, we cut water use through improvements to reduce leakage and by promoting recycling. We are also planning upgrades to wastewater treatment facilities for cleaner waste water.

2030 Reducing Water Risks Milestone [Global]

	Item	2030 target
High risk area	Water quality	Measures completed at four locations
	Water intake	Measures completed at seven locations
Low risk area	Water intake per sales unit	11% decrease vs. FY2019

Water Intake per Sales Unit (index)² [Toyoda Gosei Co., Ltd.]



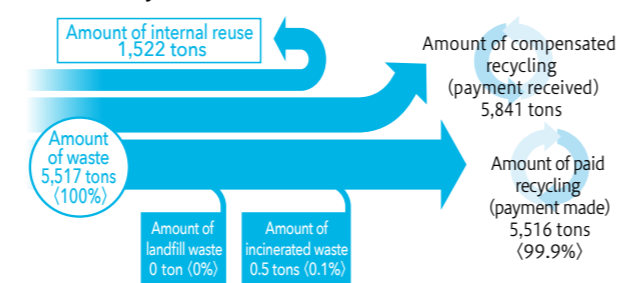
*2 A figure obtained taking the base year as 100

Reduction of Waste Materials in the Production Stage

Manufacturing Recovery/recycling

To reduce waste in the production stage, we are combating waste at its source and recycling. To minimize waste in the TG 2050 Environmental Challenge, we launched a waste reduction project in 2018 by our plants and production engineering, materials technology, and product design divisions, in which we combat waste at its source and recycle. We also conduct *mottainai* inspections to identify items for reduction with *genchi-genbutsu* (go and see) and other reduction activities at each business location. Good examples of reduction are shared among domestic and international Group companies as the entire Group tries to reduce waste.

Amounts of Waste Generated and Disposed of (results for FY2021) [Toyoda Gosei Co., Ltd.]



Figures in parentheses are the proportion of the discarded materials volume

Reduction of Packaging in the Distribution Stage

Recovery/recycling

The packing material used in product transport is being reduced to prevent products from being soiled by increasing the number of times reusable containers are used in the field and maintaining cleanliness. We

are also reducing packing material by putting lids on reusable containers and other changes, considering the balance between maintaining product quality and reducing the use of packing materials.

Re-S Eco-Brand

Recovery/recycling

As one part of our efforts to reduce waste, we have expanded to products that use remnants generated in the production of automotive parts such as airbags and steering wheels, under the Re-S brand.

Our Re-S brand is widely marketed to the general public, including consumers, and is being promoted through regular pop-up stores at nearby commercial facilities and through our own online store.

In addition, we are actively collaborating with companies in different industries, which we hope will lead to the accumulation of B to C business know-how.

In FY2021, we promoted and launched a project for collaborative products with Doala, the mascot of the Chunichi Dragons professional baseball team, Yamanami Kobo, a facility for people with disabilities, and students of Kinjo Gakuin University.

"Re-S" was coined from the prefix "re-," as in "reborn" and "recycle," that is the start of environmentally-friendly activities, and also includes the meaning of sustainability (S). <https://res00.base.shop/>



Environment

Environmental Preservation and Building Environmentally-Friendly Societies

We comply with laws and regulations related to chemical substance control and the environment, and are conducting activities to protect biodiversity.

Basic Philosophy

In addition to strengthening the selection and management of chemical substances to create products and processes that are kind to people and the earth, we are improving environmental management in things such as compliance with laws, regulations and

customer standards in every country where we do business, based on ISO 14001.

We are also maintaining a company woodland, creating biotopes, and working to preserve tidal flats and other areas for biodiversity.

Control of Substances of Concern

To strengthen the management of chemical substances in our products, we control substances that are legally regulated in each country, substances that are self-regulated by automakers, and substances covered by our own company regulations. We monitor the trends in European REACH¹ regulations and the EU RoHS Directive² and have a system in place to respond rapidly when these regulations are revised.

To respond to requests from automakers in each

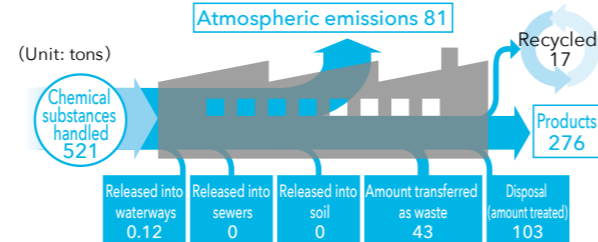
country for information on chemical substances in products, we have devised mechanisms and conducted systems for global collective management of chemical substances that we are currently using in Japan, China, Thailand and Vietnam. We will be steadily expanding this system to places where it is not yet in use.

¹ Registration, Evaluation, Authorization and Restriction of Chemicals
² Restrictions on the use of specific hazardous substances contained in electrical and electronic equipment

Reduced Use of Substances of Concern

In production processes, we are switching to water-based paint and release agents, making painting lines more compact, improving coating efficiency, and making other efforts to reduce Pollutant Release and Transfer Register (PRTR) substances.

Volumes and Flow of Emitted PRTR Substances [Toyoda Gosei Co., Ltd.]



Building Societies in Balance with Nature to Preserve Biodiversity

In an initiative to conduct our business in balance with nature for the preservation of biodiversity, we have set coexistence with local communities as a material issue and are seeking to promote it.

Risks and Opportunities Associated with Biodiversity

We are working to identify risks and opportunities associated with biodiversity.

Risks and Opportunities

Impact items	Risk	Opportunity	Response
Declining natural capital	<ul style="list-style-type: none"> Decreased revenue, production disruptions from difficulty purchasing raw materials and soaring prices Poorer product quality from water quality deterioration 	<ul style="list-style-type: none"> Business continuation by ensuring personnel and raw materials through nature conservation activities Sustainable production and higher corporate value by ensuring high quality water resources through woodland maintenance and river conservation 	<ul style="list-style-type: none"> Product development for lighter weight Development of raw material recycling technology Greater use of plant-derived biomaterials and recycled materials

Establishment of Medium- and Long-Term Targets

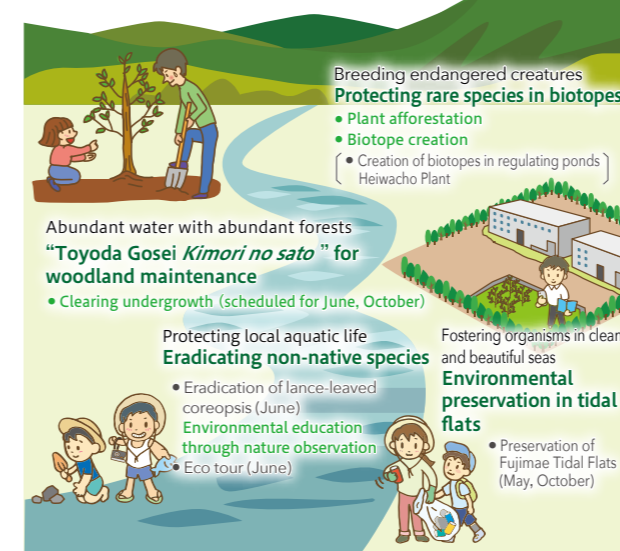
To contribute to environmentally-friendly societies as envisioned in the TG 2050 Environmental Challenge, we have set the goal of no net loss of greenery (restoring 59 hectares, equivalent to the area of our plants, to greenery by 2050) and are working to achieve this goal.

Scenario for Achieving This



Working to Save Our Water, the Source of Life on Earth

Initiatives to protect the water used at our plants from its source (mountains) to its destination (sea)



Main Activities Related to Biodiversity

Woodland Maintenance

In FY2019 we cleared undergrowth and thinned trees in a forest in Minokamo, Gifu Prefecture, located on the upper reaches of the Kiso River to promote healthy woodlands.



Kimori no sato preservation work Woodland maintenance participants in Gifu Prefecture

Biotope Creation on Company Grounds

We conducted a biological survey of the biotope completed in FY2018 at the Heiwacho Plant. Five themes and five species that are Aichi Prefecture Ecosystem Monitoring Indicator Species were confirmed, and living organisms have begun to gradually become established.



Biological survey at Heiwacho Plant Biological survey participants

Activities to Eliminate Compliance and Environmental Violations and Complaints

Regular checks are conducted by expert departments and maintenance and management are carried out to ensure legal compliance and no environmental problems or complaints. Preventive activities such as environmental preservation project team activities are also conducted to combat risks. In addition, we

analyze problems that occur at other companies, inspect similar facilities including those at domestic and international Group companies, and take preventive measures. There were no occurrences of environmental abnormalities in FY2021.

Proper Disposal and Storage of PCB-Containing Equipment

The law stipulates that hazardous and persistent PCB (polychlorinated biphenyl) waste must be disposed of by the end of March 2027. We started outsourcing this disposal in FY2006 for the proper treatment of equipment that contains PCBs. By FY2021, 896 units had been treated. We will continue to process untreated low-concentration PCB waste at an early stage. Until that is completed, appropriate management based on the PCB Special Measures Law is done to prevent runoff and soil contamination.

Category	Type	No. of units treated	Treated weight
High concentration PCB waste material (PCB levels: >5,000 mg/kg)	Ballast, power capacitors, etc.	802 units	6.9 tons
Low concentration PCB waste material (PCB levels: 0.5-5,000 mg/kg)	Transformers, power capacitors, etc.	94 units	80.3 tons

Protecting Soil and Groundwater

We carefully monitor and treat soil and groundwater contamination from toxic substances such as trichloroethylene, which was formerly used in cleaning agents. We have established observation wells at each plant, and regularly confirm that there is no soil or groundwater pollution from toxic substances and oils.

Location	Target	Status of corrective measures
Haruhi Plant	Groundwater	Purification in progress (proactive treatment, as contamination from off-site sources is possible)
Inazawa Plant	Groundwater	Because substances we have no history of using have been detected, regular reports to the government contain results of measurements only *Results below reference values since 2010 (government reports concluded in FY2012)

Environment

Environmental Management

In coordination with Group companies in Japan and other countries, we are continuing employee training and education programs so that every employee can act with awareness of the environment.

Basic Philosophy

We are also making aggressive efforts for education to raise the environmental awareness of employees and train personnel for sustainable environmental activities.

Enhancing Group-Wide Environmental Management

The entire Toyoda Gosei Group promotes environmental management. Environmental data has been collected by domestic Group companies since FY2001 and by international Group companies since FY2003.

Plants Subject to Environmental Management

Toyoda Gosei Co., Ltd.	Affiliates in Japan
<ul style="list-style-type: none"> Haruhi Plant Nishimizoguchi Plant Seto Plant Inazawa Plant Bisai Plant Morimachi Plant Heiwacho Plant Inabe Plant* 	<ul style="list-style-type: none"> Ichiei Kogyo Co., Ltd. Toyoda Gosei Hinode Co., Ltd. Hoshin Gosei Co., Ltd. Toyoda Gosei Interior Manufacturing Co., Ltd. Kaiyo Gomu Co., Ltd. TG Opseed Co., Ltd. TGAP Co., Ltd. Toyoda Gosei East Japan Co., Ltd. Toyoda Gosei Kyushu Co., Ltd.

Overseas Affiliates

Americas (Regional headquarters: Toyoda Gosei North America Corporation)	Asia (Regional headquarters: Toyoda Gosei Asia Co., Ltd.)
<ul style="list-style-type: none"> TG Missouri Corporation TG Kentucky, LLC TG Automotive Sealing Kentucky, LLC TG Fluid Systems USA Corporation Toyoda Gosei Texas, LLC Waterville TG Inc. TG Minto Corporation TAPEX Mexicana S.A. de C.V. Toyoda Gosei Automotive Sealing Mexico S.A. de C.V. GDBR Industria e Comercio de Componentes Quimicos e de Borracha Ltda. Toyoda Gosei Rubber Mexico, S.A. de C.V. Pecval Industria Ltda. Toyoda Gosei Irapuato Mexico, S.A. de C.V. 	<ul style="list-style-type: none"> Toyoda Gosei (Thailand) Co., Ltd. Toyoda Gosei Rubber (Thailand) Co., Ltd. Toyoda Gosei Haiphong Co., Ltd. Toyoda Gosei South India Pvt. Ltd. PT. Toyoda Gosei Safety Systems Indonesia Toyoda Gosei Minda India Pvt. Ltd. Fong Yue Co., Ltd. PT Toyoda Gosei Indonesia
China (Regional headquarters: Toyoda Gosei (China) Investment Co., Ltd.)	Europe and Africa
<ul style="list-style-type: none"> Tianjin Toyoda Gosei Co., Ltd. Toyoda Gosei Star Light (Tianjin) Auto Parts Co., Ltd. Toyoda Gosei (Zhangjiagang) Co., Ltd. Toyoda Gosei (Foshan) Rubber Parts Co., Ltd. Toyoda Gosei (Foshan) Auto Parts Co., Ltd. Hubei Toyoda Gosei Zheng Ao Rubber & Plastics Sealing Technology Co., Ltd. 	<ul style="list-style-type: none"> Toyoda Gosei UK Ltd. Toyoda Gosei Czech, s.r.o. Toyoda Gosei South Africa (Pty). Ltd.

* The Inabe Plant was added from April 2021.
 • Acquired ISO 14001 certification. When new plants and new companies are established, we aim to acquire ISO 14001 within three years of starting operation.

Environmental Audits

ISO 14001 Environmental Audit

Toyoda Gosei and its domestic and international Group companies acquire ISO 14001 environmental management system certification. Internal environmental audits are carried out by audit teams composed of members from business areas outside those being audited in order to raise the independence and objectivity of the audits. Toyoda Gosei Co., Ltd. commissions external reviews by the Japan Quality Assurance Organization (JQA) to assess whether our environmental management systems are run properly in accordance with ISO 14001. We are promoting 100% acquisition with the intention to have new companies acquire ISO 14001 certification within three years of being established.

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Internal environmental audits / Toyoda Gosei Hinode Co., Ltd.

ISO 14001-Certified Production Sites Acquisition rate 100%

Toyoda Gosei Co., Ltd.	7 plants	Overseas Affiliates	Americas: 13 companies, Asia: 7 companies, China: 6 companies, Europe/Africa: 3 companies
Affiliates in Japan	9 companies		

International Environmental Audits

Voluntary annual inspections are performed based on TG Global EMS, which are our original environmental management system standards, problems are corrected, and *kaizen* activities are carried out.



Toyoda Gosei (Thailand) Co., Ltd.

Activities Based on Green Procurement Guidelines

We conduct surveys of the status of compliance with green procurement guidelines of the suppliers with whom we do business, and conduct *genchi-gembutsu* (go and see) inspections of high-risk companies. When needed, we carry out joint *kaizen* activities. In carbon

neutrality study groups, we provide examples of CO₂ reductions and other information.



Environmental Education

Toyoda Gosei educates employees on environmental problems including the destruction of nature and environmental pollution, the impacts on the environment of production activities, and compliance with environmental regulations.

The content each year emphasizes understanding and practices based on legal trends, with examples incorporated to create specific and understandable teaching materials.

Environmental Education System

Level-specific training	Toyoda Gosei Co., Ltd.	Group companies	
		Japan	Overseas
Education for new managers	○		
Education for those posted overseas	○		
Education for environmental key persons	○	○	○
Acquisition of environmental education qualifications	○	○	○
Education for new employees	○	○	○

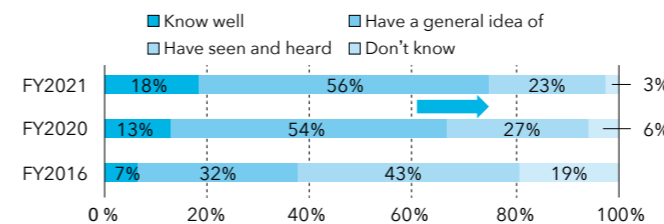
ISO education	Toyoda Gosei Co., Ltd.	Group companies	
		Japan	Overseas
Education for environmental staff	○		
Education to improve internal auditors' skills	○	○	
Education to register internal auditors	○	○	○
Education for supervising managers	○	○	
Education for key environmental facility workers	○	○	
Education for general employees	○	○	○

Activities to Raise Environmental Awareness

We are attempting to raise the environmental awareness of employees through Environment Month events, regular environmental lectures, and other activities so that all employees have an awareness of the environment

in their activities for ongoing environmental protection. We also conduct a questionnaire survey of employees each year to assess their environmental awareness and plan educational activities based on the results.

Level of Recognition of Toyoda Gosei's Long-Term Environmental Initiatives



Raise name recognition year by year



Environment Month (virtual environmental exhibition)

Collaboration with External Organizations

As the leading company in the Japan Auto Parts Industries Association's Global Warming Prevention Subcommittee, we work with member companies to prepare positive case studies and various study sessions.

Measures to counter global warming is an issue on a global scale, and requires effort in collaboration with the entire automobile industry. We will continue to actively participate and put out information.

Social

Growing together through activities with all stakeholders

With our management philosophy of conducting business with integrity, we are committed to contributing to society through manufacturing, and are working to develop our personnel and create comfortable work environments as the foundation for such activities. Respect for human rights is also important, and is the basis for various activities with our domestic and overseas Group companies and business partners.



Human Resources Strategy

We Aim to Be a Group of People Who Can Think Independently and Act Boldly

The automotive industry today faces social challenges, including the shift to BEVs and move toward carbon neutrality. In this rapidly changing environment, human capital is an ever greater focus of attention as a basis for sustainable company growth, for which enhancing our human resource strategies is essential.

The TG Spirit refers to a common set of work values that we have adhered to throughout our history of more than 70 years. Our problem-solving method and the PDCA cycle is fundamental to how we approach our work. Together, they form a foundation for the people that support the company's sustainable growth, which we consider to be one of our strengths.

We aim to achieve sustainable corporate growth by responding to market changes in our core automotive business, and by commercializing new technologies to solve increasingly diverse and complex social issues.

We seek to strengthen our market competitiveness by enhancing the competitive advantages we have cultivated: knowledge in the fields of rubber and plastics, a global network, and new business development experiences. At the same time, we strive to display leadership in solving social issues. For this, the thinking and independent actions that will enable us to adapt to market changes, as well as business opportunities and risks, are important. To bring us closer to this ideal, we

are striving to strengthen our ability to identify problems, our ability to conceptualize scenarios and action plans, and our ability to execute these plans and bring them to reality.

We believe that human resource development measures and culture reforms must go hand in hand in order to develop people who can think for themselves and take on challenges. To create a vibrant and comfortable working climate, we will respect the various values of our diverse workforce (diversity and inclusion) and create workplaces where people can freely express their ideas, make proposals and fully demonstrate their abilities while we continue to reform work styles and change ways of thinking. At the same time, we seek to develop the abilities and promote the growth of each individual.



Three Pillars of Human Resources Strategy

Up to now we have focused on providing educational opportunities for employees to learn our specialized knowledge in areas such as technology and materials, as well as our problem-solving method and the PDCA cycle, which are fundamental to the way we work. We have also sought to create workplaces where we can all work together, including women and people with disabilities who were not traditionally in the workforce. In addition to these existing initiatives, by implementing measures based on our changing environment, such as diversification of values and our workforce and digitalization of operations, we aim to become a group of people who can think independently and act boldly.

Promote the development of human resources

We are training the leaders who will drive sustainable growth and systematically developing the specialized technical personnel who will create stronger manufacturing sites. We want to develop people who can take initiative in facing challenges and display their abilities for the growth of the business even in an age of volatility, uncertainty, complexity, and ambiguity (VUCA).

Active participation of a diverse workforce

Promoting the creation of an environment in which people from various backgrounds can fully demonstrate their abilities will lead to the creation of new value and sustainable corporate growth.

Create a pleasant corporate culture

Through continuous improvements based on engagement surveys, we are creating workplaces that are pleasant for a diverse workforce, aiming to combine our efforts to be the company we aspire to be with employee job satisfaction and a sense of growth.

FY2021 Priority Item Results and FY2025 Targets [Toyoda Gosei Co., Ltd.]

Priority item	FY2021 results	FY2025 target
No. of people who have taken training for executive personnel	54	65
Percentage of people who have had overseas assignments (management, technical and office personnel)	22.7%	25%
No. of DX personnel trained	94	270
No. of female managers	30	40
Local executive percentage (VP and above at overseas Group companies)	31.0% [Global]	40% [Global]
Percentage of managers who are mid-career hires	30.9%	30% or higher
Employment of people with disabilities	2.78% [Entire Group in Japan]	Achievement of legally mandated rate [All Group companies in Japan]
Engagement survey results (positive evaluation)	56%	65%
Average overtime hours	12.3 h/month per person	Less than 10.0 h/month per person
Annual paid leave taking rate	97.3%	90% or higher

Human Rights Initiatives

Basic Philosophy

The Toyoda Gosei Group respects the United Nations' Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and other international norms. The Toyoda Gosei Group Charter for Business Ethics lays out our basic principles of "respecting human rights and the diversity, character, and individuality of each person and striving to create workplaces that are free of discrimination and harassment and always healthy, pleasant and safe, based on labor-management cooperation." The Toyoda Gosei Guidelines for Business Ethics, our behavioral standards to realize the ideals in the Charter, declares respect for individual character, human rights, and fairness in hiring, and forbids forced labor and child labor.

Formulation of Human Rights Policy

In May 2022, we formulated the Toyoda Gosei Group Human Rights Policy based on the UN Guiding Principles. We will promote management that respects human rights and diverse values in the countries and regions in which we operate, and contribute to sustainable societies through mutual growth and development with our stakeholders.

This policy is positioned as the highest level human rights policy in the Toyoda Gosei Group. To continue as a company of integrity, we will comply with all relevant laws and regulations in the countries and regions where we do business, and as a good corporate citizen we will earnestly address issues related to human rights by promoting activities that respect the fundamental human rights of all our stakeholders.

Toyoda Gosei Group Human Rights Policy
<https://www.toyoda-gosei.com/csr/social/report2/pdf/ToyodaGoseiGroupHumanRightsPolicy.pdf>

Human Rights Due Diligence

We began conducting human rights due diligence in May 2022 in accordance with the Guiding Principles. Following a desk review, we completed interviews and a written survey with relevant personnel at the World Headquarters and domestic and overseas Group companies, and plan to complete the identification of significant risks by the end of this fiscal year. In FY2023, we will study measures to prevent and mitigate the identified risks, implement corrective measures, and verify their effectiveness. We will focus on understanding the real situation and taking effective measures in cooperation with Toyoda Gosei

Group companies and our business partners. The progress of this activity will be disclosed on our website from time to time.

Education

In the past, education on respect for human rights was provided on occasions such as when people join the company, and when they are promoted. In FY2022, based on the formulation of the Toyoda Gosei Group Human Rights Policy, we have introduced lectures by outside speakers on the theme of well-being, a human rights policy practical guide in the company newsletter, training for department general managers by outside instructors, online training for technical and office personnel, and the development of educational tools for skilled workers. We issue a monthly communication for the creation of workplaces free of harassment and discrimination, which is read out at workplaces.

Consultation Office

We have established a consultation office for harassment, child and nursing care, mental health, and employment support for people with disabilities. In the future, we plan set up and build channels to accept inquiries from people who are not employees of the company.

System

Initiatives related to respect for human rights are discussed at the Human Resources Meeting, and results are reported and confirmed at the Sustainability Meeting, for which the company president serves as chairperson.

Social

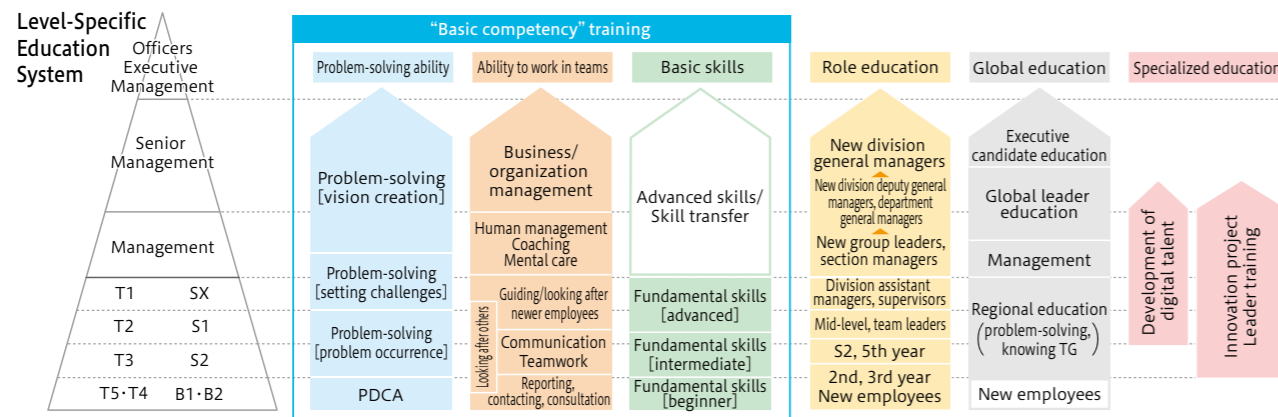
Promotion of Human Resources Development

To raise the collective strength of Toyoda Gosei globally, we are striving to develop human resources and create workplace environments where everyone can display their full abilities.

Enhanced Training Programs, Invigorated Personnel Development

To improve the skills and abilities needed in working at Toyoda Gosei, we are encouraging human resources development in three key areas: problem-solving, which is fundamental to work; the ability to work in teams based on communication; and basic skills for strong on-site abilities.

We have also launched a new training program to develop project leaders who can bring about reforms in order to respond to changes in the business environment, and digital talent to promote DX. We are also actively introducing online training, e-learning and other new training methods.



New Employee OJT System

For early employee education, we have introduced a "New employee OJT system" for independence of young employees within three years of joining the company. We provide both on-the-job training and classroom training in the workplace so that they can perform their work according to the PDCA cycle.

Interviews in the pivotal second, fourth and sixth years in the company help them display their abilities, understand their individual growth, discover educational problems early, and take measures to counter them.

Year Item	1st year in company	2nd year in company	3rd year in company
OJT <workplace>	Position	Work guidance based on PDCA	
OFF-JT <training>	New employee training Business manners PDCA, others Plant training Understanding manufacturing	Special education Technician training Production engineering training Basic problem-solving training Report/contact/consult training (communication) New employee interviews (2nd year)	Problem-solving practical training

Special Skills Dojos, Maintenance Skills Dojos, and Mold Skills Dojos Raise the Level of Skill on the Manufacturing Floor

Improving the skills of each worker is an indispensable part of enhancing manufacturing capabilities at production sites. We therefore started up three dojos in FY2019 with the basic policy of "cultivating a culture that values skills."

The Special Skills Dojo is designed to help managers and supervisors acquire specialized skills in addition to their supervisory duties. We have started a training program where they learn the mechanisms that lead to defects so that they are better able to take corrective actions.

In the Maintenance Skills Dojo launched to train maintenance personnel, we have added application-level training to respond to the shift to robotics and IT. To promote automation through the use of collaborative robots on manufacturing floors, general shop floor workers are also being trained in robot teaching skills. In FY2022, we have

also begun to create a curriculum to train people who will bring automation to existing processes through the use of collaborative robots.

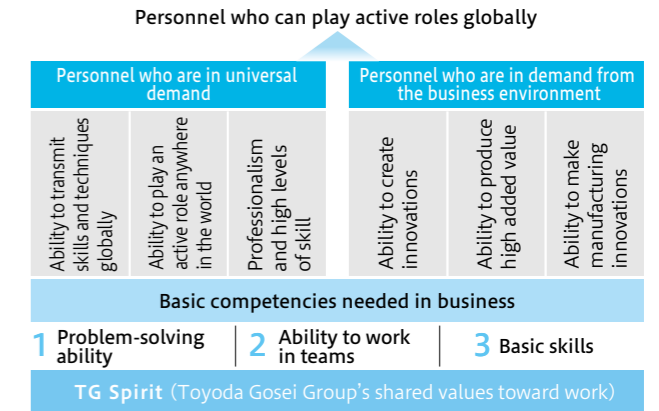
The Mold Skills Dojo provides basic skills training and trainer training for mold maintenance personnel at domestic and overseas locations. So far a total of 100 people have been through this dojo.

We have been entering the Skills Olympics since 2017. By helping young employees to acquire the high-level skills and knowledge related to their essential work, we are striving to develop employees who can play active roles on the production floor in the future. With these ongoing initiatives, we hope to achieve strong manufacturing floors that support the company.

Training of Global Executive Candidates

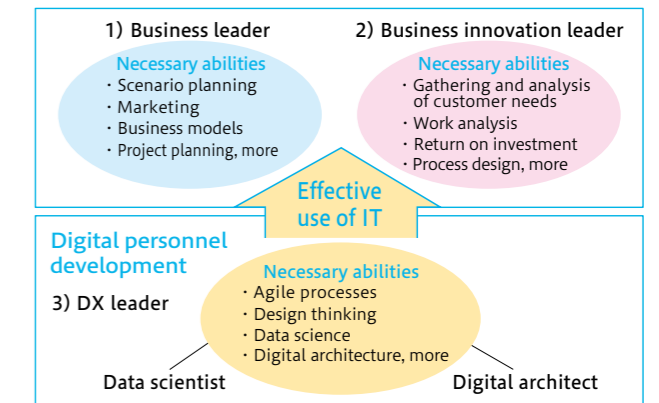
For the systematic training of people who will manage the company in the future, we have introduced a program to help people learn how to look at and think about things at the management level and cultivate the qualities that will help them bear higher levels of work responsibility, with aims such as broadening their outlook and improving their judgment. Outside Japan, we are training executive candidates globally with the introduction of a certification system for solving problems by clarifying issues and setting goals.

With the continuous education of management personnel, we will ensure that we have the personnel who can support the management foundation of the company.



Project Leader Training in the Age of VUCA

In addition to training based on problem solving, we believe people need to develop the expertise, capabilities, and skills required to respond to changes in the business environment and implement management strategies. We have started a training program where people learn new ideas, approaches, and other skills to create new value and take the lead in innovating business operations. Three types of project leaders are trained: 1) Business leaders who create new businesses and products, 2) Business innovation leaders who innovate business processes, and 3) DX leaders who lead digital human resources and promote DX. This training has been fully implemented since September 2022.



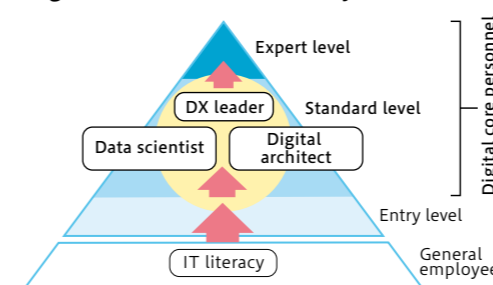
Digital Personnel Development for People Who Can Carry Out DX

In response to the rapidly changing business environment, we are overhauling production processes and products using data and digital technology. While transforming our business model, we are also transforming the work itself and the organization, processes, corporate culture and atmosphere. We will continue this DX to gain a competitive advantage. Training people who can do this is an urgent task,

and in January 2022 we introduced a new educational program to train core digital personnel.

With this we will ensure business innovations and our competitiveness in the market, so that we can grow as an organization that can respond flexibly and rapidly to market changes (81 people received standard level certification in FY2021).

Digital Personnel Education System



	Necessary DX personnel	FY2021 results	Training plan for 2025
Data scientist	Can extract and analyze information from large amounts of data and reflect it back to work improvements	57	150
Digital architect	Is well-versed in the latest cloud and other technologies, and can implement them	24	100
DX leader	Can direct digital talent and promote DX	-*	20

*Due to implementation from FY2022

Social

Active Participation of a Diverse Workforce

Toyoda Gosei hires and trains a diverse workforce, including women, foreign nationals, mid-career hires, and people with disabilities. We provide fair and impartial training, evaluation, and promotion opportunities to all employees, so that everyone can display their abilities. We seek to energize the company by providing an environment where people can play active roles.

Encouraging the Active Roles of Women

To bring about a situation in which all employees, regardless of gender, can play active roles and grow, and to create new value by taking advantage of diversity, we are implementing the initiatives shown in the table below. Our focus is on training and support for the active roles of female employees, reforming the attitudes and behavior of superiors, and support for a work-life balance.

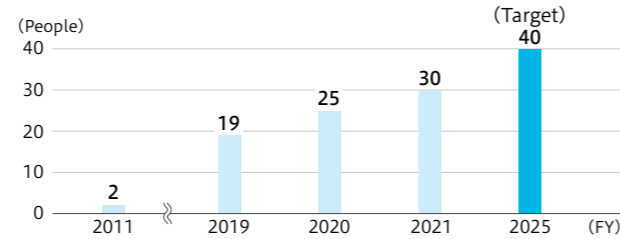
We aim to have more than 40 female managers by 2025 in order to create an environment where female employees can work long-term with assurance and continue to grow, as well as to incorporate more diverse values and new perspectives and ideas into our management.

For example, in training and support for the active roles of female employees, we are strengthening our training initiatives to encourage female employees who aspire to become leaders by providing training to improve their management skills and actively

implementing training rotations to expand their range of experience and perspective.

In technical workplaces, we are also creating manufacturing floors where employees can play an active role regardless of gender or age by introducing innovations to minimize heavy labor, such as rethinking high-load work with the use of *karakuri kaizen* and the greater use of robots. This will encourage more active participation of female employees.

Number of Female Managers [Toyoda Gosei Co., Ltd.]



Training and support for the active roles of female employees	<ul style="list-style-type: none"> Challenge Programs: Educational program in which female manager candidates provide "Acquisition of management skills through training," "Expanding range of experience with training rotation," and "Sharing and mutual advice of troubles or matters that are noticed through practice in the workplace." Tea Meetings: A place where female employees can take up troubles and opinions and strengthen personal networks
Reforming the attitudes and behaviors of superiors	<ul style="list-style-type: none"> Workplace reform management class: A place to exchange opinions on voluntarily improving the management ability of those in managerial positions, and change atmospheres and attitudes
Support for work-life balance	<ul style="list-style-type: none"> Enhancement of childcare leave, reduced working hours (systems exceed legal standards) Introduction of telework (for office and engineering work since January 2021)

Local Executive Training

With 61 companies in 16 countries and regions around the world, we want our operations to be rooted in the local communities that support sustainable growth. For such business operations, we believe the involvement of personnel who are familiar with local business practices and culture is essential, and we are actively promoting the appointment and training of local executives at our overseas locations. To accelerate active promotion to such positions in each region, we established a basic policy and targets for the promotion of local executives (vice presidents and above) in FY2020. Each business unit is working to achieve these targets.

With the aim of having 40% local executives by

2025, we are evaluating people with high potential in each region and formulating plans for their development. We are also promoting the development of local personnel by introducing an introductory education and mentoring system and conducting "problem-setting problem-solving" training to retain mid-career employees who are candidates for executive positions. In addition, Regional Succession Committee (RSC) meetings are held in the Americas, Southeast Asia, and China to share the status of activities and issues related to the development and recruitment of executive successor candidates. Annual reports are given at Global Succession Committee (GSC) meetings.

Continuing Roles of Senior Employees

We will create an environment in which senior employees, who are steadily increasing in number, can continue to work with a sense of security and high motivation after the age of 60. This will create new value by combining their wealth of experience, techniques, and skills with the ideas and perspectives of younger employees. To build a foundation for this, we have raised the retirement age from 60 to 65, effective April 2022. We will continue the initiatives shown in the table on the right to encourage employees to continue working enthusiastically and vigorously until age 65.

We are continuing activities to create an environment in which employees, regardless of age, can maximize their potential and to further improve engagement (target: positive response rate of 65% or higher for employee engagement (50s and 60s)).

For example, as a means of improving motivation, we conduct career training for employees in their 50s, providing them with opportunities to exchange opinions with their peers and rethink such matters

as how they will work in the future and how to demonstrate the techniques, skills, and experience they have cultivated in the workplace.

In addition, to improve health and physical fitness, we are stepping up activities to promote health through regular discussions with employees, such as holding health seminars at milestone ages and reviewing cafeteria menus to improve dietary habits.

Increasing motivation	<ul style="list-style-type: none"> Management education for superiors (Better communication, dialog ability, etc.) Career formation education (Young, mid-level to senior workers)
Health and physical fitness improvements	<ul style="list-style-type: none"> Health education (Seminars in pivotal years) Improved cafeteria menu (Corresponding to risks for hyperlipidemia, hypertension)
Workplace environment development	<ul style="list-style-type: none"> Spread of good examples of workplaces on manufacturing floors Initiatives to reduce physical burden (use of <i>karakuri</i>, other means)

Workplaces That Welcome People with Disabilities

We view the hiring of people with disabilities as a social responsibility, and make active efforts in this area. The Committee for Employment of People with Disabilities implements hiring, job assignments, manager and supervisor education, and workplace settlement. We place particular emphasis on getting people settled in the workplace, monitoring conditions through regular care interviews, taking up problems, and formulating 3-year plans for improvement of the workplace environment. We are also systematically installing restrooms for all with consideration of the workplace environment. Work that people with

disabilities can perform is identified, and they are systematically hired and placed. As of the end of FY2021 (March 1, 2022), 127 people with disabilities had been hired for a hiring rate of 2.39%, exceeding the legally mandated employment rate of 2.3%.

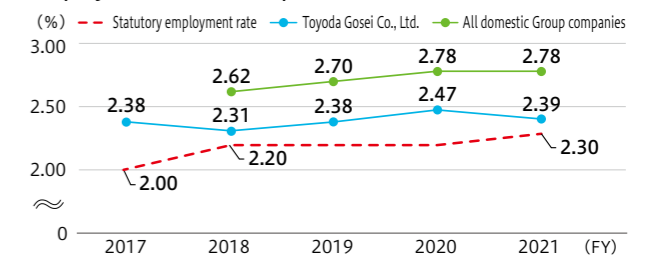
Our special subsidiary TG Welfare Co., Ltd. holds seminars for people with disabilities for the entire Group and serves in other ways to create places for education and share information with 14 Group companies that have received special Group company certification, achieving a hiring rate of 2.78% for the Group overall.



We have formulated a three-year plan to improve the workplace environment, and are making systematic improvements such as installing restrooms with consideration of people with disabilities

Training camp at TG Welfare Co., Ltd. to support independence

Employment Rate of People with Disabilities



Social

Creating a Pleasant Corporate Culture

We believe that it is very important to have both systems and environments in place for our employees to work with energy and enthusiasm. In addition to measures to improve job satisfaction, we are actively working to improve office environments, cafeterias, restrooms, and other facilities to provide safe and comfortable work environments and create a foundation on which each employee can demonstrate their abilities.

Workplace Culture Reforms, Higher Employee Engagement

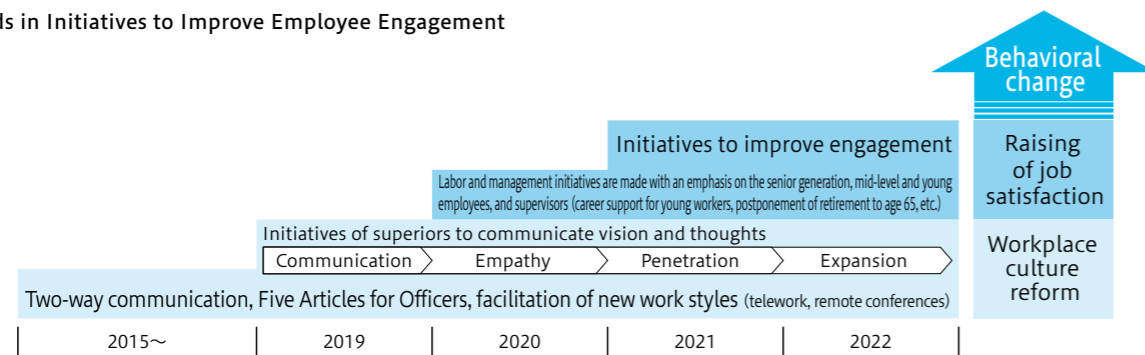
Toyoda Gosei is undertaking various activities to create a comfortable working atmosphere.

In 2015, we launched the “Five Articles for Officers” with the aim of fostering workplaces where people can speak their minds freely and a culture that encourages bottom-up proposals and initiative, as well as a company *ekiden* relay race to improve vitality and solidarity. These activities produced changes in the atmosphere within the company, but to further raise employees’ sense of accomplishment and satisfaction in their work, in April 2019 we started the Management Declaration Activity. The heads of all divisions clarify

the vision and mission for their division and declare how they will develop human resources and create a positive culture.

Although progress was made in reforming the corporate culture through these ongoing measures, in 2021 we started an engagement survey and have been monitoring internal conditions to make further improvements by quantitatively measuring employee job satisfaction and other parameters. We will continue our efforts to improve employee engagement by addressing issues that are identified in the surveys.

Trends in Initiatives to Improve Employee Engagement



Example of Workplace Culture Reform Activities

- Five Articles for Officers**
1. I will greet people with a smile
 2. I will listen to team members talk until they are finished
 3. I will say “I appreciate your efforts” for positive information from team members, and “Thank you” for negative information
 4. I will back team members who take on challenges, and assume responsibility
 5. I will try to make myself better understood



We aim to create an environment in which anything can be discussed freely, with officers themselves leading changes (this year is the 7th year)



Company *ekiden* relay race



Employees cheering for volleyball team

Creating Systems and Environments for Flexible Working Styles and That Support Increased Activity

Working Styles and Systems

In addition to systems that exceed the legal requirements for support in balancing work with childcare, nursing care, and medical treatment, we are fostering a workplace culture of mutual consideration. In particular, as both men and women participate in childcare, we actively encourage male employees to take childcare leave by reminding them of the system when their

children are born and by raising awareness through our in-house newsletters.

To help employees achieve a work-life balance, we also strive to create an environment where they can continue to work with a sense of fulfillment, using flexible work styles such as telework, shorter working hours, and flexible work schedules.

Major Systems for Childcare Support

System	Timing/event	Subject	Amount required by law							System exceeding laws
			Pregnancy	Delivery date	1 yo	2 yo	3 yo	1st grade	4th grade	
Special parental leave	M/F									
Special paternity leave	Mainly men									
Childcare leave at birth	M/F									
Childcare leave	M/F									
Reduced working hours ^{*1}	M/F									
Restrictions on overtime, late-night work	M/F									
Special sick/injured childcare leave	M/F	10 days/year								

In addition to the above, we have other generous programs such as Special Children Support Leave so that parents can attend children's events or deal with school closures and a Holiday Childcare Subsidy to subsidize the cost of using a private daycare center on holidays that are working days for the company. Other programs include a Special Childcare Work Exemption and interviews before taking childcare leave and before returning to work.

^{*1} 4-hour workday up to first grade of elementary school, 6/7-hour workday up to fourth grade of elementary school

Major Systems for Care Support

System	Subject	Amount required by law						System exceeding laws
		1 month	93 days	6 months	1 year	3 years		
Care leave	M/F							
Care day off	M/F						10 days/year	

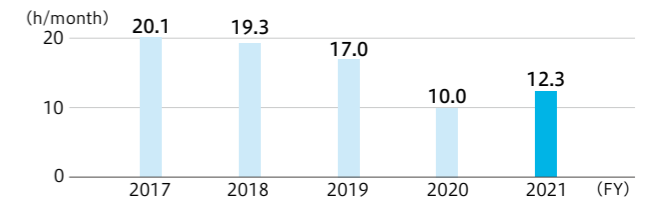
System to Support a Balance Between Work and Medical Care

- Reduced working hours
- Half-day work
- Relaxation of upper restrictions on telework

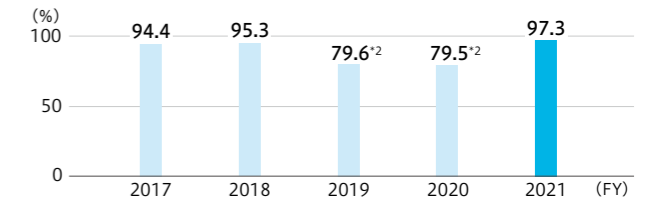
Workplace Environment

We strive to create workplace environments where each and every employee can work energetically and play an active role. We are improving the company environment to create safe and comfortable workplaces for our employees by renovating break rooms used by employees on manufacturing floors, installing restrooms for everyone, including disabled and LGBTQ employees, and establishing a “hot desking” system and satellite space in offices to promote flexible and efficient work styles that are not limited by location.

Company-Wide Average Overtime Hours [Toyoda Gosei Co., Ltd.]

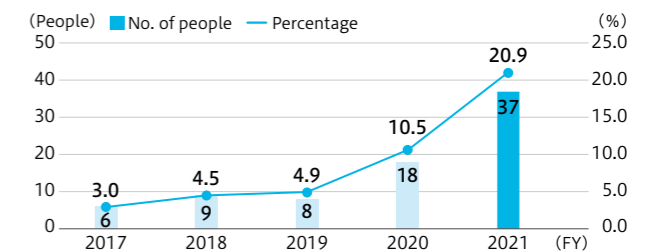


Annual Paid Leave Taking Rate [Toyoda Gosei Co., Ltd.]

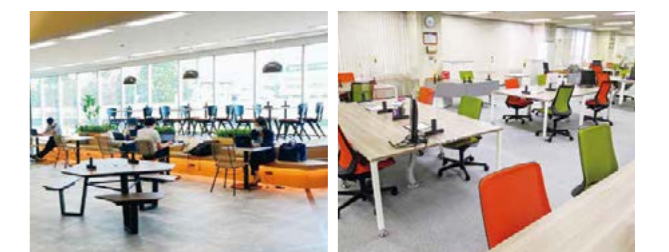


^{*2} There were company shutdowns due to COVID-19

Number of Men Who Took Childcare Leave [Toyoda Gosei Co., Ltd.]^{*3}



^{*3} No. corresponding to the year when childcare leave was started



Miwa Technical Center (satellite space) Headquarters office (hot desking)

Social

Safety and Health

Basic Policy for Safety and Health

The Toyoda Gosei Group considers employee safety and mental and physical health to be one of the most important management issues, and we do our best to ensure secure and pleasant workplace environments for all business activities.

Safety and Health Initiatives

In the Toyoda Gosei Group, safety and health declarations are made and company activities are spread based on the above basic philosophy.

Safety and Health Declaration	<ol style="list-style-type: none"> 1. Compliance with laws and internal regulations and standards related to health. 2. With "safety before all" foremost in mind, thorough safety-first behavior by all employees. 3. Cultivation of a culture of safety in which activities are conducted with a sense of ownership and there is mutual development with participation by all employees.
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Promotion System

A Central Safety and Health Committee (meets 4 times/year) is organized with the executive in charge of safety as the chairperson. Meetings are attended by the company president, labor union chairperson, plant managers of all locations in Japan, and the presidents of domestic and international subsidiaries. Various measures related to safety and health are reported and discussed, and the results are reported to the Board of Directors.

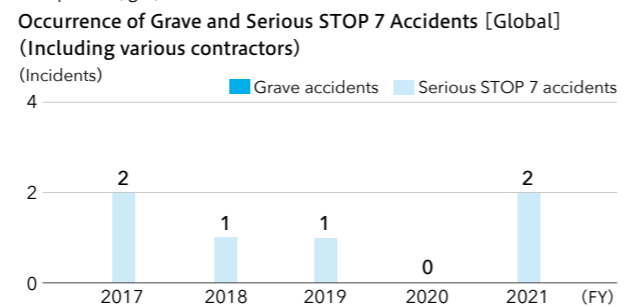
In addition to the deliberation results of the Central Safety and Health Committee, safety information is sent out repeatedly in the President's New Year message and company newsletters. The entire Toyoda Gosei Group carries out these activities. For suppliers, efforts are made to regularly share all relevant information through procurement liaison meetings and other means.

Targets/Achievements

We believe it is the company's responsibility to ensure that everyone who works on our premises returns home in the same good health as when they arrived at work. We have implemented various measures to achieve our goal of zero grave,¹ serious² and STOP 7³ accidents on a global basis.

We are working to eliminate accidents so that our employees can focus on manufacturing with safety and security even when faced with sudden production volume fluctuations due to COVID-19 or other factors. This includes preventing recurrence, conducting risk assessments and various safety audits for advance prevention, providing safety and health education by job level to raise safety awareness, and conducting ongoing KYT (hazard prediction training) activities.

^{*1} Grave: death
^{*2} Serious: Victim loses part of body (or function)
^{*3} STOP 7: Seven things with which there is a possibility of serious injury: (1) being pinched or caught in a machine, (2) heavy objects, (3) falling objects or people, (4) electric shock, (5) vehicles, (6) hot material, explosives, gas, (7) severance



Domestic and International Subsidiary Audits

We have been using safety and fire prevention maps (SFPM) since FY2020 for the purpose of understanding the safety and fire prevention levels at our domestic and international subsidiaries and rectifying weaknesses. In FY2021, we established uniform assessment items based on the results of voluntary assessments at each company. We have been conducting audits and providing support at 13 domestic subsidiaries three times a year (39 times in total) through on-site inspections to further raise the level of safety.

Particularly in the area of disaster prevention, we have been conducting KYT activities with the aim of further improving KY (hazard prediction) capabilities and creating

workplaces where acting safely (hazard avoidance) is second nature and people point out hazards to each other. KYT competitions have also been held in India and China.



First-place team in the first Indian KYT conference (TGSIN TPS section team)

Health Management

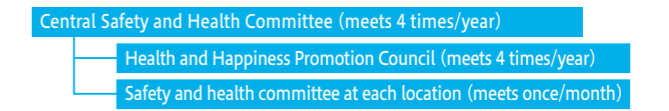
We conduct health management activities so that all people working in the Toyoda Gosei Group can continue working in both mental and physical health.

Health Declaration	To Achieve "Boundless Creativity and Social Contribution"
	1. We believe the health of our employees is an important management resource and will strive to foster an organizational culture that puts safety and health first.
	2. We will strive to create positive and lively workplaces where employees can work energetically, and develop our personnel. 3. To help improve the health of employees and their families, we try to raise health awareness for disease prevention.

Promotion System

With the aim of upgrading health management, the mental and physical health committees were merged to form the Health and Happiness Promotion Council in FY2022. Aiming not only for good health but also for happiness in work, industrial physicians and the company's Human Resources Division, health insurance union, and labor union come together to discuss management for health and well-being, with the Safety & Health Promotion Division acting as executive office.

In addition, activity reports are given and approvals are obtained in our Central Safety and Health Committee, which then spreads these measures to the Safety and Health Committees in each place of business.



Health Management Activities and Certifications/Awards

The ability of each employee to work with energy and health into the future is essential as a foundation to fulfill our corporate social responsibility as stated in Toyoda Gosei's management philosophy. In recognition of this, we are promoting health management to maintain and promote the health of our employees.

A strategy map based on the Ministry of Economy, Trade and Industry's Guidelines for Administrative Accounting of Investment in Health and Productivity Management was created for the purpose of quantitatively showing health management initiatives and results, and implementing the PDCA cycle for activities. We will promote health management in a continuous and effective manner by

quantitatively evaluating investments, effectiveness, and resources. We have also formulated Challenge 8 as a health KPI to promote health management. The eight items of weight, breakfast, alcohol consumption, snacking, smoking cessation, exercise, sleep, and stress are numerically assessed, and targets have been set for each fiscal year through FY2025.

In recognition of our past health management activities, we were recognized for the first time by the Ministry of Economy, Trade and Industry as a Health and Productivity Brand in 2022.



Raising Health Awareness and Changing Behaviors

We are in the seventh year of our workplace-based health promotion activities, one of the programs to achieve the goals in Challenge 8. The number of participants has increased year by year, and in FY2021 reached 96.8% of all employees. More than 80% of the 316 participating teams have an exercise theme, and each workplace has a fun and creative way to promote health and wellness. In FY2021, we also introduced the new theme of Sleep and Mental Health to promote activities for both

physical and mental health. We are also working on activities to raise health awareness and promote behavioral change by holding walking events during long weekends and holidays using the Aichi Health Plus app distributed by Aichi Prefecture.



A workplace that takes stretching as a theme in workplace health promotion activities

Initiatives to Maintain and Improve Women's Health

We place great importance on activities that support the health of working women. Our first Women's Health Week event was held in March 2022 with the aim of improving women's health literacy. A special meal (Pink Ribbon Lunch) was served in the cafeteria, information was provided via panels, flyers, and digital signage, and self-check goods were distributed to raise awareness of breast and uterine cancer screenings. In collaboration with the health insurance union, leaflets to improve the cancer screening rate were distributed to people in their 20s, in whom the screening rate is particularly low. This resulted in a 5%

increase in the cancer screening application rate in FY2022. We are also trying to support women who are returning to work after parental leave by providing information on consultation services and self-care information to help them balance childcare and work from a health perspective.



"Pink ribbon lunch" provided during Women's Health Week and information being provided at event

Social

Supply Chain Management

Basic Procurement Policy

The Toyoda Gosei Group has set a basic procurement policy based on the idea of coexistence and co-prosperity with our suppliers. We aim to deepen our partnerships with suppliers while achieving sustainable growth for us both.

Basic Procurement Policy	1. Optimum Global Procurement	2. Mutual Growth Based on Mutual Trust	3. Moving Toward Sustainable Societies
	We procure the best raw materials, products, and equipment fairly from a global perspective while considering cost, quality, technology, and production. We also welcome proposals from suppliers for new technologies and methods and new products.	We aim to raise the collective strength of the Toyoda Gosei Group based on open and fair relationships with suppliers, strengthening our mutual corporate cultures, introducing innovative management, and building mutual trust.	Toyoda Gosei has set activity norms as guidelines for initiatives that should be made for the SDGs and other social issues, and shared them with suppliers in carrying out activities. We also aim to ensure complete legal compliance and confidentiality in corporate activities, including our supply chain.

Toyoda Gosei's Supply Chain

The number of suppliers we have direct dealings with is 419 for products and parts and 327 for materials and equipment. When suppliers not in those areas are included, the total number is 772 companies.

	Products/parts	Materials/equipment	Other	Total
Number of suppliers [Toyoda Gosei Co., Ltd.]	419	327	26	772

Global Collaboration

As our business expands globally, we are collaborating with purchasing managers in each region to further promote local procurement, with consideration of quality, cost, risk avoidance, and all other parameters. Global Procurement Liaison Meetings are held twice yearly as a forum to share information. At these meetings, regional managers share information and

hold discussions to resolve issues related to quality, cost, and delivery (QCD), and well as environmental issues and other sustainability activities. We are also strengthening our global procurement network through mutual support, such as sharing buyer education materials and localization information.

Business with New Suppliers

We have an entry form on our website for open dialogue regarding new proposals and business dealings.

In addition to QCD assessments at the start of new business dealings, we also check the status of the other party's management activities based on their level of support for our sustainability guidelines and

other factors, to manage risks starting from our first transactions.

At the same time, together with the signing of contracts and memorandums of understanding, we explain the various guidelines that Toyoda Gosei has developed and seek their understanding.

Initiatives for Sustainability Over Entire Supply Chain

Based on rising expectations for sustainability initiatives in companies, we have created Supplier Sustainability Guidelines and requested that our suppliers thoroughly understand and practice them. We also provide self-check sheets for early measures when potential risks are noticed, and ask companies to conduct self-assessments.

These guidelines set policies related to human rights and labor, the environment, compliance, and other matters. In addition to social aspects (child labor, forced labor, no discrimination and equal opportunity, freedom of association, reduction of long working hours, compliance with minimum wages, and health and safety), we ask suppliers to observe environmental aspects such as water use and biodiversity.

With regard to the environment, CO₂ reductions, recycling of resources including waste, and control of chemical substances is demanded in our Green Procurement Guidelines. For conflict minerals, we ask suppliers to be responsible in their procurement of resources and raw materials. Once a year we conduct a survey on conflict materials with the cooperation of all our suppliers.

As described above, we are accelerating initiatives needed for sustainable growth over our entire supply chain, matched to the various changes in social conditions.



Strengthening Our Relationships with Suppliers

Every April, we hold procurement policy briefings where we explain our management philosophy, the business environment and company policy to about 250 of our major suppliers in Japan. After sharing our initiatives and targets related to safety, compliance, sustainability, quality, production, and cost, we hold regular discussions to confirm results and make improvements through anticipated value roundtables.

We hold procurement liaison meetings six times a year to introduce examples of fire and disaster prevention initiatives

and share information on production volumes, quality, compliance, and cybersecurity. In addition, we hold seminars on carbon neutrality and other social issues.

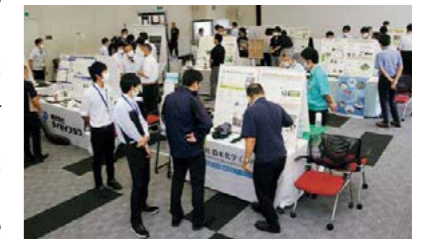
In FY2020, we established Management Troubleshooting Consultations for suppliers and other business operators. We receive candid inquiries from them on various management issues, including corporate management, finance, human resources, and legal matters. This is done in small groups, where we try to give advice on effective solutions.

Support for Suppliers so That We Can Grow Together

To support our suppliers, we implement various initiatives from the perspective of safety, quality, cost and production. Safety initiatives include prevention activities based on fire prevention inspections of painting and other production equipment and risk assessments. Initiatives related to production include manufacturing site improvement through manufacturing reform activities. Both of these areas are related to personnel development.

We also provide indirect support for the activities of the Kyowa-kai, an organization formed by suppliers for the purpose of mutual improvement and sharing of best practices, and are involved in their activities for human resource development and to achieve carbon neutrality. During Supplier Month (December), we once again express our sincere appreciation for the daily efforts of our suppliers and try to strengthen our support for their sustainability activities.

In 2022, the Kyowa-kai held the Winning (Value) Technology Exhibition with the aim of strengthening each other's competitiveness by, for example, leveraging the knowledge that suppliers have developed to enhance the added value of our products. The introduction of each company's special technologies, value-added products, and sustainability activities for carbon neutrality and other matters will lead to the creation of new value and corporate growth throughout the supply chain.



The Winning Technology Exhibition, held in September 2022. Approximately 700 visitors attended the exhibition of various "value techniques" from participating companies

Monitoring Supplier Information

We ask suppliers with whom we have ongoing business to submit a supplier survey form on management information at least once a year. The submitted information is shared with the entire Purchasing Division. If there are major changes, we visit the supplier and conduct interviews to quickly grasp the changes that have occurred, mitigate risks

as soon as possible and solve problems.

We also conduct supplier evaluations, including QCD, to better understand each company's strengths, weaknesses, and challenges before considering the details of our business transactions.

Employee Education and Training

We strive to follow the "Toyoda Gosei Guidelines for Business Ethics" so that each and every employee engaged in procurement operations can conduct their activities in a manner that is open, fair and equitable toward suppliers.

To achieve sustainable societies, we also make efforts throughout our supply chain with a view to social issues

and circumstances. The Procurement Subcommittee holds regular monthly meetings to ensure that procurement activities correspond to various changing social conditions, and all Purchasing Division members are given compliance (subcontracting laws, bribery, etc.), safety, and carbon neutrality information.

Participation in Relevant Associations and Initiatives

We participate in industry associations such as the Japan Auto Parts Industries Association (JAPIA) and the Japan Rubber Manufacturers Association (JRMA). Our company president serves as an officer (director) of JAPIA.

Through our activities in these industry associations, we seek to achieve sustainable growth together with our suppliers, such as through the Declaration of Partnership

Building promoted by the Ministry of Economy, Trade and Industry.

We are also participating in the revision of the JAPIA BCP Guidelines by the general affairs committee of JAPIA for not only earthquakes but also wind and water damage and pandemics. In this and other ways we are contributing to the formulation of BCPs by suppliers in the auto parts industry.

Social

Uniform Global Quality Assurance

Commitment to Quality Assurance

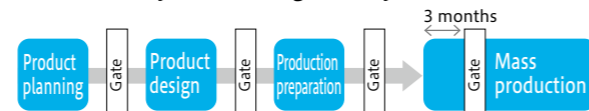
Under our basic quality policy, we guarantee quality at every step from development to production for “Customer First” and “Quality First” principles.

For our quality assurance systems, we have obtained certification under the international standards ISO 9001/ IATF 16949 and have established a quality management system. We are also working to strengthen quality assurance throughout the Group using the Quality System Global Standards¹ as common rules. We pursue quality that meets customer expectations by reliably building

quality into new products through our Initial Management System, which checks how well each process is done, from planning to design and production.

¹ Incorporates the know-how and rules for quality improvement in the Toyoda Gosei Group

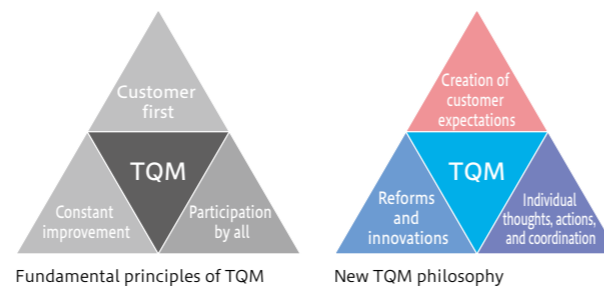
Gate Control by Initial Management System



TQM for a Stronger, Better Company

Based on the basic principles of TQM,² we are raising product and work quality and individual and organizational vitality. Company-wide TQM activities are undertaken to create a flexible and resilient corporate character. In addition to our conventional *kaizen* activities, including Workplace Management *Kaizen* Activities and Small Group Activities, we are building a new TQM philosophy with the concept of “changing the way we work in anticipation of coming changes,” and sequentially spreading these new TQM activities in the Group.

² Total Quality Management



Development of Human Resources for Future Business and Environmental Changes

We established the Quality Learning Center as a place to foster a mindset in which all members of the Toyoda Gosei Group, including suppliers and overseas locations, can think and act in a “Customer First” and “Quality First” manner. In addition to the company's quality history and examples of quality *kaizen* that embody the TG Spirit, we use this as a place to repeatedly learn about initiatives as we move toward the future.

In addition, during “Global Quality Month” in November each year, everyone makes a “Declaration of Thought and Action” in their position and role. Through this and the establishment of regular opportunities for everyone to reflect on their own actions, we try to firmly establish the

“Customer First” mindset.

Training Personnel with Digital Analysis Skills

With the recent utilization of big data and the rapid expansion of DX, the ability to analyze data has become an essential skill. We are strengthening the practical education, including industry-academia collaboration,³ of people who can use statistical quality control (SQC) and machine learning (ML).

³ Experts from Shiga University and the Toyota Group serve as instructors



Toyota Group machine learning dojo

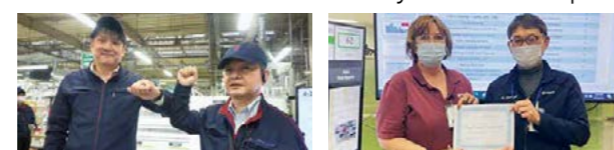
Manufacturing Quality Assurance and Continuous Improvement Activities

In order to deliver safe and secure products to our customers around the world, we are executing defect-free process completion centered on production processes for safety parts, which are directly related to the basic performance (running, turning, and stopping) and safety of vehicles. Audits and improvements by certified auditors are also conducted for safety part production processes.

Ongoing “Quality Assurance Declaration Activities”

We cultivate a workplace culture of continuous improvement and have conducted “Quality Assurance Declaration Activities” since 2012 with the aim of creating manufacturing floors that can cope well with changes. We identify issues from the three angles of developing

human resources, developing processes, and preventing recurrences, and then conduct *kaizen*. At the stage when we achieve our targets, the supervisor gives an “Assurance Declaration” to the company president on-site. With the aim of quality that will earn the trust of the customers globally, we undertake this activity with the participation and concerted effort of the entire Toyoda Gosei Group.



“Quality Assurance Declaration Activities” in local confirmation meetings with the company president (left: Japan, right: North America)

Contributing to Local Communities

Contributing to the Development of Sustainable Communities

The Toyoda Gosei Group wants to earn the trust of society through all its business activities, including not only the development and manufacture of products that satisfy customers worldwide, but also environmental preservation and social contribution. To be a good corporate citizen, as stated in our man-

agement philosophy, we are active globally in the four areas of social welfare, environmental protection, youth development, and community crime prevention. Together with these activities, we have continued to support disaster recovery following the Great East Japan Earthquake in 2011.



Contributions to Food Banks Afforestation Project Boys and Girls Invention Club Traffic Safety Patrols

Fostering a Sense of Unity Between Employees and the Community Through Sports

Through the promotion of sports, the Toyoda Gosei Group aims to foster a sense of unity between employees and the community, and to contribute to bright, prosperous, and vibrant societies.

In FY2021, the Wolfdogs Nagoya volleyball team, a regular contender for the No. 1 spot in Japan's top league, won the Emperor's Cup. The Toyoda Gosei Blue Falcon handball team won the league championship and the Japan Championship. The Toyoda Gosei Scorpions basketball team is active in the B3.LEAGUE.

In addition to the official team games, Entrio, which opened in FY2020, embodies our philosophy by hosting local events that serve to create a lively atmosphere through interaction with the community.



Wolfdogs Nagoya Volleyball team Blue Falcon Handball team Scorpions Basketball team



Toyoda Gosei Memorial Gymnasium (ENTRIO)



I want to contribute to solving social issues through corporate sports

Shigeru Tanaka
Manager
Toyoda Gosei Blue Falcon



The Japan League Championship

Today the idea that all business activities should contribute to solving social issues is becoming more prominent in the world. However, I felt that when I joined Toyoda Gosei there was already a culture within the company which held the idea that “a company is a public institution in society and that it should naturally therefore contribute to the local community.” I believe that there are many aspects of corporate sports that can contribute to society as well as to the company.

For example, teaching handball to local children in English, or having Toyoda Gosei play a match against a world-class team for them to watch. We hope to come up with many ideas that would be beneficial to the community and the company, and create a model plan to put them into practice. The Blue Falcon is committed to being a strong bridge between the company and the local community and to the team's mission of building a strong team that is trusted by the company and the local community.

Governance

Building and operating transparent management systems to further enhance Groupwide corporate governance

We are working to enhance corporate governance throughout the Toyoda Gosei Group so that we can continue to be a trusted company. To create a fair and transparent corporate governance system, while we ensure its effectiveness through management supervision and audits by outside directors and outside Audit & Supervisory Board members, we improve the appropriateness and efficiency of our operations by developing and operating an internal control system. Furthermore, we are also promoting legal compliance, corporate ethics, and risk management activities.



Corporate Governance

Basic Philosophy

We view the enhancement and strengthening of corporate governance with the aim of ensuring sound and efficient corporate management to be crucial in achieving sustainable growth. Based on this, we are building and maintaining fair and transparent management systems and organizational systems that can respond precisely to environmental changes.

Additionally, Toyoda Gosei pursues consummate corporate governance by voluntarily implementing a range of policies in accord with the letter and spirit of the ideals and principles in Japan's Corporate Governance Code, formulated and revised in June 2021, by the Financial Services Agency and the Tokyo Stock Exchange.

Corporate Governance System

Toyoda Gosei has adopted an audit and supervisory board system and set up the shareholders' meeting, Board of Directors, Audit & Supervisory Board, and accounting auditors as statutory entities. We have also put in place internal auditors and other internal control systems including internal audits. The Board of Directors consists of nine directors and holds regular monthly meetings (extraordinary meetings held as needed), where matters prescribed by law or in the Articles of Incorporation and important matters related to corporate management are reported, discussed, and resolved.

A system of corporate officers is used to speed up decision-making and business execution. For important business matters, division chief meetings and management meetings are held monthly. Functional meetings and committee meetings relevant to key areas such as technology, costs, and personnel are also held as needed to ensure appropriate management decisions.

The Audit & Supervisory Board consists of five mem-

bers and holds regular meetings. Members also attend important meetings such as Board of Directors' meetings and audit each department and subsidiary, through which they fulfill their function of auditing corporate management.

Accounting auditors are external auditors who combine auditing functions with a commitment to ensuring an independent and fair auditing system. The Company adopts the current system because audit, supervisory, and execution functions are well coordinated with each other under this structure, with legality and efficiency of the Company's decision-making and business execution sufficiently ensured.

Also, in order to strengthen the supervisory function of the Board of Directors and to increase the objectivity and transparency of the decision-making process, we have established the Executive Appointment Committee and Executive Compensation Committee under the Board of Directors as non-mandatory advisory committees.

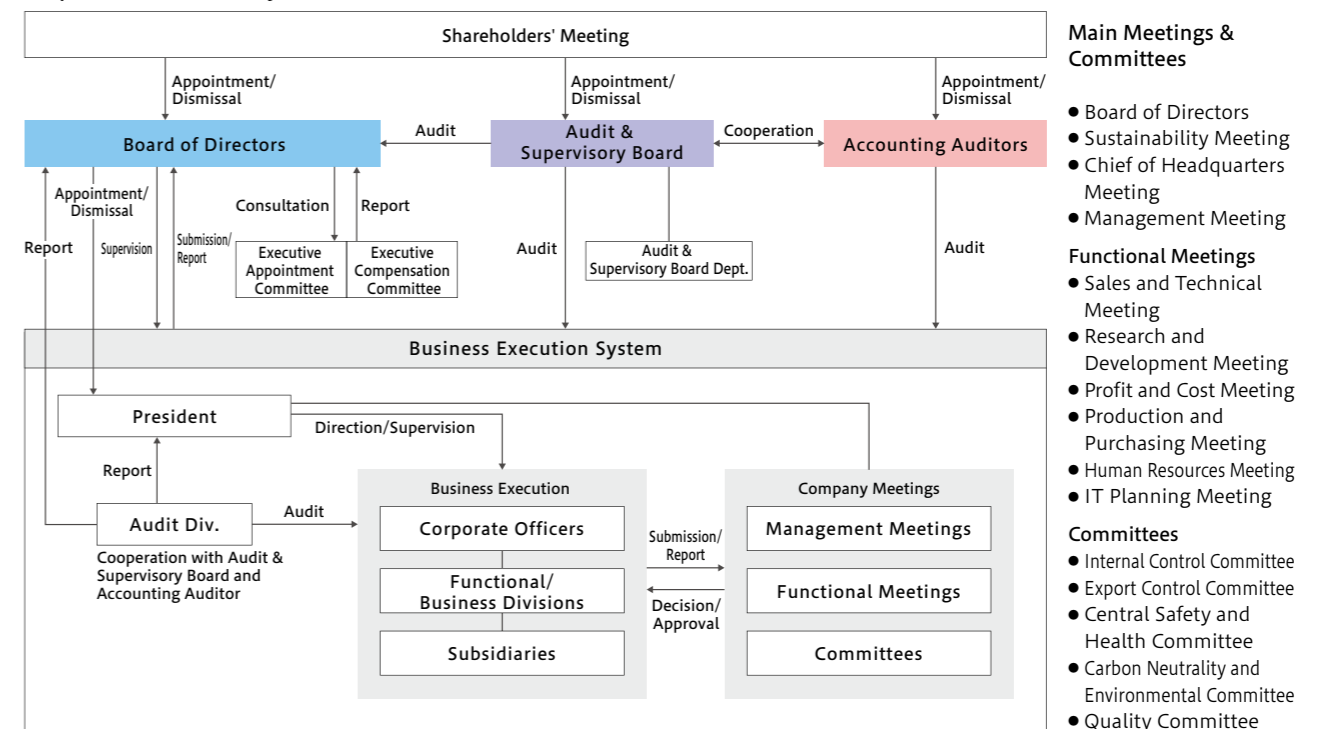
Internal Control Systems

In accordance with the provisions of Japan's Companies Act, Toyoda Gosei has formulated a Basic Policy on Establishing Internal Controls. Under this policy, we are striving to ensure appropriate operations by establishing internal control systems, which help us deliberate important matters, establish related rules and guidelines, and handle internal audits, compliance and risk management. Every year, the Board of Directors checks the status of establishment and operation of internal controls in an ongoing initiative to improve and reinforce them.

To cultivate a healthy internal control environment at

Toyoda Gosei and its subsidiaries, all Group companies share its management philosophy. The Toyoda Gosei Group Charter for Business Ethics, a shared guideline for compliance, has also been instituted and expanded to subsidiaries. While respecting the independence of subsidiary management, we receive regular business reports from subsidiaries and set up systems to confirm the propriety and legality of subsidiaries' businesses through advance approval reports. We also send non-executive directors and Audit & Supervisory Board members to key subsidiaries in a system to monitor and act as a check on their business execution.

Corporate Governance System



Sustainability Meeting

In November 2021, we established our new Sustainability Meeting with the aim of achieving sustainable corporate growth, improving corporate value, and contributing to the sustainable development of society. At this meeting we work diligently to discuss and decide on key action items related to sustainability, and confirm how the initiatives are progressing. The meeting is attended by all executives, including outside directors and outside Audit & Supervisory Board members to ensure that the Group's sustainability measures are implemented in a well-balanced way with transparency and a high degree of objectivity.

Frequency	Generally meets twice yearly
Chairperson	President
Members	All Directors and Audit & Supervisory Board members (including outside Directors and Audit & Supervisory Board members), and Chief of Headquarters
Main Agenda	<ul style="list-style-type: none"> Make decisions on key action items related to sustainability Report situation on key action items and target value Make decisions on important external disclosure items

Executive Compensation Committee and Executive Appointment Committee

Toyoda Gosei's Executive Compensation Committee and Executive Appointment Committee are composed of members of which more than half are outside

directors. The chair of both committees is appointed from outside directors to further enhance transparency and objectivity. (Each committee met once in FY2021)

Name	Role	Members
Executive Compensation Committee	Deliberates and reports on the compensation system for directors and their individual compensation (restricted stock-based compensation, etc.)	Toru Koyama, president, Naoki Miyazaki, director, Sojiro Tsuchiya, outside director, Kimio Yamaka, outside director (chairperson), Mayumi Matsumoto, outside director

Name	Role	Members
Executive Appointment Committee	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members (appointment of the president, etc.)	Toru Koyama, president, Naoki Miyazaki, director, Sojiro Tsuchiya, outside director, Kimio Yamaka, outside director (chairperson), Mayumi Matsumoto, outside director

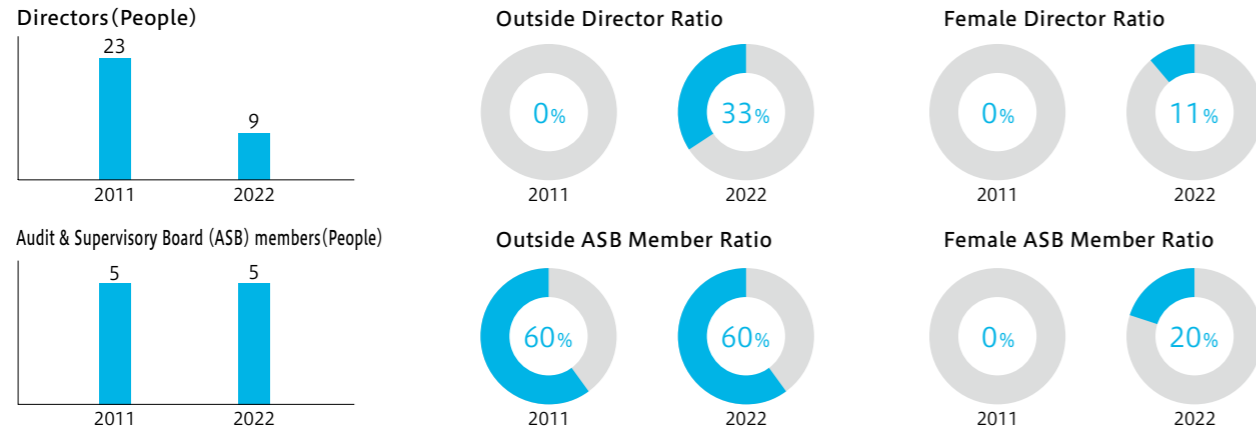
Governance

Changes In Numbers of Directors and Audit & Supervisory Board Members

In 2012, Toyoda Gosei adopted a system of corporate officers and downsized its Board of Directors to nine directors from 23 as of 2011. It appointed its first outside director in 2015.

or one-third of whom are outside directors. One of the outside directors is a woman. The outside director appointments have increased the Board's objectivity and diversity.

The Board currently comprises nine directors, three



Main Initiatives to Strengthen the Governance System

	2012	2015	2019	2020	2021	2022
Board of Directors, Audit & Supervisory Board	<ul style="list-style-type: none"> Reduced the number of directors appointed 		<ul style="list-style-type: none"> Changed the ratio of outside directors to one in three Established the Executive Compensation Committee and the Executive Appointment Committee Appointed a female director 	<ul style="list-style-type: none"> Appointed independent outside directors as chairs of both committees Appointed a female member of the Audit & Supervisory Board 		
Business Execution System	<ul style="list-style-type: none"> Introduced a corporate officer system 		<ul style="list-style-type: none"> Reduced the number of corporate officers 	<ul style="list-style-type: none"> Began adhering to the Japan's Corporate Governance Code 		
Meetings & Committees	<ul style="list-style-type: none"> Corporate Conduct Ethics Committee Environmental Committee 		<ul style="list-style-type: none"> Changed name to the Compliance and Risk Management Committee 	<ul style="list-style-type: none"> Established the Sustainability Meeting 	<ul style="list-style-type: none"> Changed name to the Internal Control Committee 	<ul style="list-style-type: none"> Changed name to the Carbon Neutrality and Environmental Committee

Policies and Procedures to Appoint and Remove Senior Officers and Nominate Candidates for Directors and Audit & Supervisory Board Members

Nominations of candidates for directors and Audit & Supervisory Board members are made after deliberation and reporting by the Executive Appointment Committee, followed by a resolution of the Board of Directors then at a Shareholders' Meeting.

The nomination policy for senior officer and director candidates is based on the candidate's popularity in terms of their ability to make accurate and prompt decisions after taking into account the balance of knowledge, experience, and capabilities of the management team and the Board of Directors as a whole. The candidates are comprehensively nominated and appointed on the basis of their ability to wholeheartedly comply with laws and

corporate ethics.

The nomination policy for Audit & Supervisory Board member candidates is to comprehensively nominate candidates from the perspective of putting the right person in the right position while ensuring a balance between diverse perspectives on corporate management, including knowledge of finance, accounting, and legal affairs, and knowledge of the Company's business.

If a candidate for senior officer or director is found to have committed any fraudulent act or seriously violated any law or regulation, or the Articles of Incorporation, we will take procedures for their dismissal.

Skills Matrix

Name	Position at Toyoda Gosei	Executive Appointment Committee	Executive Compensation Committee	Corporate management	Governance	Overseas operations	Manufacturing (production/quality management)	Technology	Sales	Finance	Personnel	Environment and energy	DX	New business (non-automotive)	Attendance at Board of Directors (BoD), Audit & Supervisory Board (ASB) meetings (Apr. 2021-Mar. 2022)
Toru Koyama	President	○	○	●		●	●	●		●	●				13/13 (BoD)
Tomonobu Yamada	Executive Vice President			●	●	●			●						13/13 (BoD)
Hiroshi Yasuda	Director			●		●	●	●		●		●	●		13/13 (BoD)
Masaki Oka	Director			●						●					13/13 (BoD)
Takashi Ishikawa	Director			●			●	●				●	●		13/13 (BoD)
Naoki Miyazaki	Director	○	○	●	●	●				●	●	●		●	13/13 (BoD)
Sojiro Tsuchiya	Director <small>Outside Independent</small>	○	○	●		●	●	●			●	●			13/13 (BoD)
Kimio Yamaka	Director <small>Outside Independent</small>	◎	◎							●	●	●			13/13 (BoD)
Mayumi Matsumoto	Director <small>Outside Independent</small>	○	○								●	●			13/13 (BoD)
Kenji Oiso	ASB member									●					13/13 (BoD) 12/12 (ASB)
Yamato Suzuki <small>(appointed in June 2021)</small>	ASB member				●										11/11 (BoD) 10/10 (ASB)
Chika Kako	ASB member <small>Outside</small>						●	●				●			13/13 (BoD) 12/12 (ASB)
Hideomi Miyake	ASB member <small>Outside Independent</small>			●		●	●								13/13 (BoD) 12/12 (ASB)
Hitoshi Kuwayama <small>(appointed in June 2022)</small>	ASB member <small>Outside Independent</small>				●										—

Note: "◎" denotes the chairperson.

Board of Directors

The Board of Directors deliberates from many different angles on the direction of management, including management and business strategies, then reports and discusses on progress after any necessary resolutions have been passed. In such a way, the Board supervises from a number of different viewpoints on whether management strategies are being executed

appropriately. In addition to strengthening the Company's internal control system and risk management system, in recent years the Board of Directors has been working to achieve sustainable corporate growth amid a chaotic business environment of political instability, worsening environmental problems, and COVID-19 pandemic.

Main Matters Discussed by the Board of Directors in FY2021

Theme	Main matters discussed
Management/Business strategies	<ul style="list-style-type: none"> Domestic and overseas subsidiaries' business strategies (expansions, mergers, downsizing) Conclusion of alliance agreements Business execution reports (results, production, quality, safety, technology/development, priority risk management, etc.) Progress report on matters resolved by the Board
Corporate	<ul style="list-style-type: none"> Revisions to Board rules Appointment of directors and Audit & Supervisory Board members / Appointment of executives Sustainability measures Executive compensation Financial results, etc. Internal control systems
Investment and Loan Projects	<ul style="list-style-type: none"> Investment in buildings and facilities following expansion of domestic and overseas production bases Financing for overseas subsidiaries

Number of Matters Discussed by the Board of Directors in FY2021

	1Q	2Q	3Q	4Q	Total
Matters Resolved	21	3	7	11	42
Matters Reported	12	6	10	7	35
Total	33	9	17	18	77

Governance

Evaluation of the Effectiveness of the Board of Directors

Effective functioning of corporate governance is essential for the Company's sustainable growth, to enhance corporate value, and to contribute to the sustainable development of society. Therefore, to ensure the effectiveness of the roles and responsibilities of the Board of Directors, evaluations and opinions are heard every year from members of the Board. The Board of Directors then analyzes, evaluates, and deliberates on measures for improvement. In FY2021, debriefings with all nine directors and all five Audit & Supervisory Board members were conducted to assess their performance. As a result, Toyoda Gosei found no material deficiencies across any of its assessments and concluded that the Board continues to function effectively.

Of particular note, the Board received high ratings for its openness and candid discussions, its agenda that focused heavily on key issues, and its support

for outside officers. However, the Board's discussions on medium- to long-term policies, which have been regarded as an issue for some time, were evaluated as needing further improvement. Outside directors stated their opinions on ensuring greater opportunity for face-to-face discussions among directors, and for having the chance to once again make on-site visits to understand the actual situation on the front line, both of which had been suspended due to the pandemic. Accordingly, Toyoda Gosei is now taking measures to improve communication through direct, on-site visits by conducting tours of business sites and arranging roundtable discussion-type meetings to exchange views. Opinions were also expressed with an eye on the future, addressing the need to add more diversity to the Board. As such, Toyoda Gosei will continue to strive to ensure diversity by highlighting the experience and expertise required for the growth of the Company in a skills matrix.

Board Effectiveness Evaluation Process

<p>Evaluation Method</p> <p>Interview: Nine directors and five Audit & Supervisory Board members</p> <p>Evaluation process: Analysis of interviews and debriefing results to ensure anonymity</p>	<p>Debriefing Items (Main Items)</p> <ul style="list-style-type: none"> • Roles and responsibilities of directors • Oversight function of the Board • Deliberations within the Board • Support for outside officers <p>More detailed sub-items are laid out under the main items of the debriefing to allow for a well-rounded survey.</p>
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FY2021 Board Effectiveness Evaluation Results

Issues Identified	Measures
Enhancing discussions on medium- to long-term plans and future visions	Further increase opportunities for discussion and reporting at the Board of Directors' meetings on initiatives to improve corporate value and medium- to long-term management strategies in response to changes in the business environment
Discussions on measures to respond to environmental changes (CASE, electrification, etc.)	
Explanations on the background of individual investments and their relationship with medium- to long-term strategies	Discuss individual projects at an executive level after indicating the direction of capital investment to make projects easier to understand
Ensuring time for outside officer liaison meetings	Extend time given for officer liaison meetings for further exchange of ideas and discussions
Ensuring further diversity of the Board	Continue selection of diversity-conscious candidates by arranging experience and expertise required for the growth of the Company in a skills matrix

Issues Evaluated in FY2020 for Board Effectiveness and Status of Initiatives in FY2021

Main Feedback (Issues) in FY2020	Initiatives in FY2021
Insufficient discussion on medium- to long-term issues such as core competencies and carbon neutrality that will serve as future growth strategies	Reported and discussed long-term business strategies beyond 2025 at Board meetings and at outside officer liaison meetings
Ensuring further diversity of the Board	Considered to be an ongoing issue so that appropriate candidates continue to be selected (ongoing in FY2022)

Expected Roles of and Support for Outside Directors

All three outside directors possess a wealth of experience and keen insight.

Mr. Tsuchiya's experience and expertise lie in global strategy and production engineering; Mr. Yamaka's, in finance and the environment; and Ms. Matsumoto's, in the environment and SDGs. Ms. Matsumoto is Toyoda Gosei's first female director.

The three adeptly fulfill monitoring and advisory roles in addition to actively participating in Board discussions. In their monitoring role, they receive support in the form of departmental briefings on business operations and challenges and direct access to frontline operations through on-site visits to domestic and overseas subsidiaries to better understand the actual state of

operations. Additionally, they are briefed in advance on the content and background of resolutions to be voted on at Board meetings to facilitate sound decision-making.

At the same time, the outside directors advise management on company direction and business challenges. Advisory opportunities include regularly scheduled liaison meetings attended by all outside directors and outside Audit & Supervisory Board members, each of whom attends various other meetings also, including the Sustainability Meeting, Sales and Technical Meeting, Carbon Neutrality and Environmental Committee, and ad hoc meetings.

Directors and Audit & Supervisory Board Members

At its annual Shareholders' Meeting, held on June 16, 2022, Toyoda Gosei appointed Sojiro Tsuchiya, Kimio Yamaka, and Mayumi Matsumoto as outside directors and Hitoshi Kuwayama as an outside Audit &

Supervisory Board member. Including Chika Kako and Hideomi Miyake, who are currently in office, a total of three outside Audit & Supervisory Board members have been appointed.

Election of Outside Directors and Outside Audit & Supervisory Board Members

Appointment	Name	Independent Director/Auditor	Reason for Appointment
Outside directors	Sojiro Tsuchiya	○	To benefit from his management oversight and advice based on his extensive experience, including as a director of Denso Corporation, and his expertise, including full-spectrum manufacturing expertise cultivated over decades at Denso and other companies/groups. Mr. Tsuchiya has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Kimio Yamaka	○	To benefit from his management oversight and advice based on his extensive experience and expertise in finance, particularly policy finance, project due diligence, and the environmental and energy sectors. Mr. Yamaka has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Mayumi Matsumoto	○	To benefit from her management oversight and advice based on her extensive experience and high-level insight as a news anchor and researcher in the broad fields of social issues, environment, and energy in the management of Toyoda Gosei. Ms. Matsumoto has been designated as an independent director because she meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
Outside Audit & Supervisory Board members	Chika Kako		To reflect in Toyoda Gosei's audits her wealth of experience and keen insight gained from her career at Toyota Motor Corporation, where she served mainly in vehicle development and materials development roles and was involved in management as a managing officer.
	Hideomi Miyake	○	To reflect his extensive experience and deep insight as a corporate manager in the auditing of Toyoda Gosei. Mr. Miyake has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Hitoshi Kuwayama	○	To reflect his extensive experience and deep insight as a lawyer in the auditing of Toyoda Gosei. Mr. Kuwayama has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.

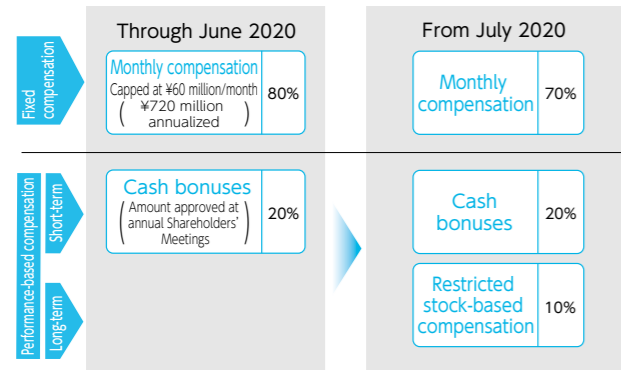
Governance

Executive Compensation

Directors' compensation consists of monthly fixed compensation and performance-based compensation in the form of cash bonuses (short-term incentive) and stock-based compensation (long-term incentive) based on the idea that directors should be appropriately incentivized to pursue sustained growth in Toyoda Gosei's value. Directors' compensation is split roughly 70:20:10 among monthly compensation, cash bonuses, and stock-based compensation, respectively.

Monthly compensation is set at a fixed amount that reflects the recipient's job responsibilities and experience as well as compensation levels at other companies. Cash bonuses are based primarily on fiscal yearly consolidated operating profit. Secondary variables that factor into their determination include the degree to which fiscal yearly plans are attained, employees' bonus levels, bonus levels at other companies, medium- to long-term earnings, previously paid bonus amounts, and contributions to ESG management. Stock-based compensation is intended as an incentive to pursue sustained growth in Toyoda Gosei's value. It is paid in the form of restricted stock to promote greater sharing of value with shareholders.

Director Compensation Scheme



Directors' aggregate annual cash compensation (monthly compensation plus bonuses) is capped at ¥650 million (outside directors' share of which is capped at ¥65 million). Directors' aggregate annual restricted stock-based compensation is capped at ¥100 million (outside directors are not eligible for restricted stock-based compensation). All three compensation caps were approved at the annual Shareholders' Meeting on June 12, 2020.

Outside directors and Audit & Supervisory Board members receive only fixed monthly compensation because their role is to oversee and monitor management from an independent vantage point.

Individual directors' compensation is set in accord with the above policies following a fair and transparent review/reporting process by the majority-independent Executive Compensation Committee, established in 2019.

At Executive Compensation Committee meetings, outside directors have made suggestions about further enlarging the incentive element of director compensation by, e.g., adjusting compensation to reflect the extent of directors' respective environmental contributions.

Total Compensation for Each Officer Class, Total by Each Type of Compensation, and Number of Officers Receiving the Compensation

Officer Class	Total Executive Compensation (Millions of yen)	Total Amount by Type of Compensation (Millions of yen)			Number of Subject Officers (People)
		Fixed Compensation	Performance-based Compensation	Non-cash Compensation	
		Monthly Compensation	Cash Bonuses	Stock-based Compensation	
Directors (excluding outside directors)	334	231	74	28	6
Audit & Supervisory Board members (excluding outside members)	75	75	-	-	3
Outside officers	70	70	-	-	6

*Bonuses are the provision of allowance in the given fiscal year
*Effective from April 1, 2021 to March 31, 2022

Internal Audits, Audit & Supervisory Board Members' Audits, and Accounting Audits

We have set up the Audit Division to handle internal audits. With the aims of achieving business objectives and preventing misconduct and mistakes, internal audits are conducted across the overall business (including audits of functional departments) based on an internal auditing plan approved by management at the beginning of each term.

The results of internal audits are reported to management, and audited departments are given recommendations for improvements based on the audit results. The effectiveness of internal audits is increased by checking their improvement plans and results.

Each Audit & Supervisory Board member follows the auditing policy and audit plan established by the Audit & Supervisory Board when investigating the Company and subsidiaries. They attend the meetings of important deliberative bodies and committees including the Board of Directors, Chief of Headquarters Meetings and Management Meetings, listen to reports on business from

directors and others, inspect financial statements and other important documents, and conduct on-site audits of offices and subsidiaries to audit the performance of duties by directors from the perspectives of ensuring legality and appropriateness, protecting assets and rights, and preventing loss. Moreover, a special department has been established to assist the auditors' audits.

The certified public accountants who performed the FY2021 accounting audit of Toyoda Gosei are Yasuhiro Nakajima and Satoko Nakatani of PricewaterhouseCoopers Aarata LLC.

Audit & Supervisory Board members, internal auditing department personnel, and accounting auditors regularly meet to confirm their respective auditing systems, auditing policy, auditing plans, implementation status, and audit results. They cooperate in performing efficient and effective audits, contacting each other as needed to exchange ideas and share information.

Interview with Outside Directors



Sojiro Tsuchiya

Career summary
Toyoda Gosei director since June 2015
Formerly executive vice president, Denso Corporation

Mayumi Matsumoto

Career summary
Toyoda Gosei director since June 2019
Visiting Associate Professor, Komaba Organization for Educational Excellence (KOMEX), The University of Tokyo (current)

Kimio Yamaka

Career summary
Toyoda Gosei director since June 2016
Director of the Energy Strategy Institute Co., Ltd. (current)

Governance

Corporate Governance Initiatives

Tsuchiya – Overall, I think that the company is making efforts honestly and in good faith. Boards and structures have been established, and I think policies and plans have been well discussed and fairly well developed.

Yamaka – A new Sustainability Meeting has been established to provide a holistic view of not only ESG initiatives, but also technical and audit perspectives. It has become possible for us to repeatedly confirm and perceive intents in conjunction with the discussions of individual boards, and make comments and recommendations that are more in line with the actual situation.

Matsumoto – We appreciate the positive attitude of the company in setting up the necessary meetings and identifying and addressing sustainability issues on a company-wide basis.

Tsuchiya – I think the question now is how to implement and execute the decisions that have been made.

Effectiveness of Outside Directors

Tsuchiya – I believe that progress has been made, especially in the areas of sustainability and carbon neutrality, thanks to Mr. Yamaka and Ms. Matsumoto, who specialize in these areas.

Matsumoto – Shortly after my appointment as an outside director in 2019, I advised the company to review the materiality it had established for ESG. At that time, Toyoda Gosei had committed to all 17 of the SDGs, but after further discussion we decided to review these commitments and have now reestablished our focus to concentrate on eight of the most relevant SDGs for the company.

Tsuchiya – To work toward and achieve the company's goals, further advances in many technologies for product development and production will be essential. I have also offered a variety of advice and suggestions in this regard.

Yamaka – I always emphasize the importance of company-wide objectives and their significance,

as well as perspectives that recognize external stakeholders.

For example, for large-scale investments such as new factory construction, I ask whether the choice of location and business site are optimal and whether the investment is a priority with consideration of all business areas. When making a large-scale investment, I always make sure that a carbon-neutral perspective is taken into account. With regard to investment decisions on renewable energy and energy efficiency, I have given advice from viewpoints that differ from the conventional rules, such as flexible consideration of the time it will take to recover the investment. Recently I have proposed quantification of energy saving and decarbonization benefits.

At the end of fiscal periods and the time of monthly operational reports, I ask questions and try to understand the numbers and interpretations of the factors in increases or decreases, mainly through an outside eye.

Improving Governance for the Future

Tsuchiya – Toyoda Gosei is a company that contributes to society through manufacturing. The most important thing in manufacturing is not to betray the trust of customers who use our products.

Today, we often hear about falsification or tampering with data related to quality among Japanese manufacturing companies. I believe that one of the major themes in order to improve governance in the future is to review and create structures, a culture, and systems to ensure that such incidents never occur, and to maintain these things continuously.

These initiatives must be inclusive, involving not



only the company in Japan, but also domestic and overseas subsidiaries as well as suppliers, and material manufacturers. This is something that should be taken very seriously.

Matsumoto – Another aspect of the management foundation is the challenge of ensuring diversity among managers.

For example, I think that we need to continue to coordinate our approach to the appointment and promotion of women, mid-career hires, and foreign nationals.

We should also enhance the quality and quantity of disclosure of climate change measures, based on international frameworks such as the TCFD. The company's initiatives to address issues around sustainability should also be disclosed more proactively than before. I believe that these are things we can do.

Yamaka – Disclosure of non-financial information, including governance, is becoming increasingly important. I hope the company will continue its initiatives to explain to the necessary stakeholders the background, its thinking, and what it is doing to face difficult challenges, as well as to demonstrate the improvements that have been made, in a readily understandable manner.

Environment Initiatives

Yamaka – The environment is clearly positioned as a key management issue. Relevant boards have been created and are being enhanced organizationally. In addition, I believe that steady progress is being made in data maintenance and fact finding.

It is commendable that a tentative general framework and schedule for carbon neutrality and interim goals have been established, and that we now have a guide for these efforts and predictability for implementation and procedures.

Meanwhile, the schedule for energy conservation investments, which are closely related to the company's core business, is affected by decisions on when and to what extent renewable energy and hydrogen will be used. Conversely, the appropriate introduction of renewable energy and green certificates can provide flexibility in the process of developing energy-saving technologies.

Renewable energy and hydrogen are closely related to public policy, and the associated technologies and

costs are strongly tied to domestic and international environmental and energy policy trends, beyond the automotive industry. We must be flexible in responding and changing in accordance with the situation as we anticipate it.

The rest will be executed according to the general framework, but I look forward to bold and speedy initiatives to earn money from this.



Matsumoto – I have a high opinion of the company's achievements so far and the fact that its environmental initiatives are constantly being reviewed and improved. Initiatives to save energy are also being steadily implemented in company factories and offices.

Toyoda Gosei has been selected by the Ministry of Economy as a company that is actively innovating to achieve carbon neutrality by 2050. Lively discussions on the development of new products and the introduction of services for decarbonization and carbon neutrality are also taking place at meetings as we move toward commercialization of these products and services.

It is gratifying that we outside directors also receive detailed explanations of new products and services.

Tsuchiya – There are some things that can be done for the environment just by making improvements to what currently exists, but more often than not major reforms are required. In a manufacturing company such as Toyoda Gosei, results cannot be achieved without the backing of technology and technical skills.

In the field of automotive parts using polymer materials such as plastic and rubber, which are the company's specialty, there seem to be high expectations for us to lead the industry in the shift to environmentally friendly products.

General environmental initiatives are important, but I believe that expectations for and the reputation of the company will depend on whether it

Governance

is able to replace polymer automotive parts with environmentally friendly products and provide them to the world ahead of competitors.

Matsumoto – I look forward to the introduction of a business in which, in parallel with initiatives to reduce carbon dioxide (CO₂) emissions for the environment, a shift is made to building circular societies through things such as resource recycling, and then to a circular economy that creates markets and leads to new industries and employment.

Expectations for New Products for BEVs

Tsuchiya – A BEV, or battery electric vehicle, consists of more than just a battery, motor, and inverter. There is also the vehicle body, interior and exterior (IE) products, safety system (SS) products, and weatherstrip (WS) products. I believe that the wave of automobile electrification will also lead to changes in IE products and safety devices with demands for higher quality and lighter weight. That differentiation will center on two factors: intelligent performance, such as safety functions and autonomous driving, and the quality, comfort, and convenience of the vehicle's interior and exterior.

Considering this, there should be tremendous opportunities for the IE products and safety devices that Toyoda Gosei specializes in, depending how it is done. This will depend largely on whether we can propose IE products of unprecedented quality and airbags and other safety devices for the electric vehicle era ahead of other parts suppliers and even ahead of automakers.

Matsumoto – In the IE area, the design of illuminated emblems and other products that take advantage of the BEV character, as well as the design of the vehicle interiors, are simple and help to ensure safety, and may appeal to many drivers.

In the SS area, we should be able to expect growing needs for the development of safety devices suited to small BEVs (airbags that match the vehicle characteristics) and collision safety systems combined with seat belts.

Yamaka – In the FC area, involvement with the batteries and peripheral products that are symbols of BEVs is probably necessary in the sense of demonstrating the company's commitment to carbon neutrality. For

example, while optimization and lighter weight for the cooling system around the batteries in battery packs have been achieved, I expect to see initiatives to further increase added value. BEVs with solar roofs are expected to become more popular in the future, and the role of batteries and peripheral parts will increase further.

In non-automotive areas, the market related to carbon neutrality is the largest field of growth. Technologies in areas such as GaN, which contribute to energy saving and weight reduction, LEDs, and e-Rubber may be considered synonymous with the Toyoda Gosei name. The company also produces high-pressure hydrogen tanks, a key component of FCEVs, for which it received the 2021 "Technology Development Award" from Toyota Motor Corporation. I look forward to initiatives that encompass the entire hydrogen lifecycle (supply chain), from generation to transportation, storage, and disposal, with high-pressure hydrogen tanks at the core of the process. An accessible corporate story that drives carbon neutrality can be built with energy-saving and hydrogen-related technologies. Since exit strategies to cultivate demand are important for new products, I would like to see the company focus resources in this area.

Matsumoto – I am watching the trends in battery regulations as Europe moves toward a circular economy, and hope that the company is able to respond where its technology is involved for enactment of revisions to those regulations.



Technology That Takes Full Advantage of Recycled Materials

Yamaka – Toyoda Gosei is a company that develops and utilizes plastic and rubber materials and their raw ingredients. It is expected to be a leader in solving the problem of decarbonization of plastics and rubber. As a first step, it is developing technologies to recycle and use scrap materials generated in factories as raw materials for other products, and we are seeing positive results.

In the future, the company will be required to expand from in-house recycling and utilization to external recycling and utilization. In addition to the "entry point" of how to collect waste from other companies, there is an "exit point" of overcoming various hurdles that arise when such material is distributed and sold as a standard product. This will require initiative in coordinating with policy authorities, and so a company-wide initiative is expected.

The use of biomass and (synthetic) hydrogen materials is inevitable, and developing technologies for the use of recycled materials is becoming increasingly important as they will be the first in the framework of carbon-neutral materials. I hope that recycling strategies will be developed from this perspective.

Matsumoto – Material recycling, including material regeneration, resource recovery, and reclamation, in which waste is recycled as raw materials for the same product, has the advantage of matching supply and demand since the grade remains the same and recycling is done for the same product with the same intended use. Toyoda Gosei's value to society will be further enhanced by expanding from cascading*¹ to horizontal recycling*² through the development of single-material plastics and other measures.

*1 Recycling a used product into a different product or a product of lower quality

*2 Recycling of used products into resources that are then used again in the same product

Tsuchiya – I think this is an area where expectations from both society and our customers are high. The important thing now is that this is not a time for discussion but to bring this to a practical level as soon as possible.

However, changing materials is not an easy task. The functionality and durability of the part must be guaranteed, and production engineering and facilities must be developed for mass production. The biggest

hurdles are how to make such products cost-effective, acceptable to customers, and profitable.

I feel that a strong company-wide project or something, not just shouts of encouragement, is needed to make these things happen.

Matsumoto – Toyoda Gosei produces plastic and rubber products, and I hope that all employees will have a strong awareness of the importance of a circular economy and work toward it. For example, by developing technologies for the use of recycled materials as a means of creating long-term value from material waste. I look forward to initiatives for a transformation to a resource-recycling business model that is environmentally friendly and profitable.

Support for Initiatives to Enhance Corporate Value

Tsuchiya – The value of a manufacturing company is found in various places, but I believe that technical capability is the essence that enables the creation of this value. Technical capability includes not only product development, but also production technology, quality technology, material technology, sales and service technology, and technology related to on-site improvement activities, production management, and maintenance. I hope to continue to contribute to the improvement of Toyoda Gosei's manufacturing and technical capabilities.

Yamaka – I will continue to provide information related to energy and the environment both domestically and internationally. As I mentioned with regard to environmental initiatives, the key to building a strategy is to establish a general framework and timeline. It is important to watch rapidly changing domestic and international situations and be able to respond flexibly to these changes. I see one of the major roles of an outside director to be to offer advice on this general framework and flexibility.

Matsumoto – Since I have opportunities to make external presentations on automobile and storage battery policies, I keep myself open to trends in these policies around the world. I would like to provide feedback on information that I believe will be beneficial to the company.

Governance

Risk Management

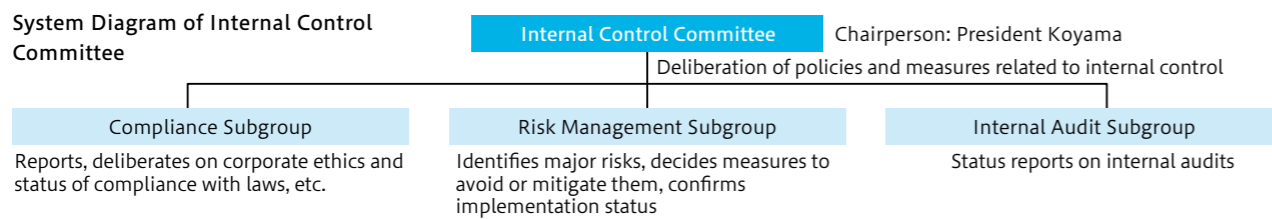
Basic Philosophy

We are working to prevent risks that could have grave consequences for management and to minimize damage in adverse events. For these purposes, we identify risks in each function and make decisions on how to respond in Board of Directors, Internal Control Committee and general meetings throughout the company.

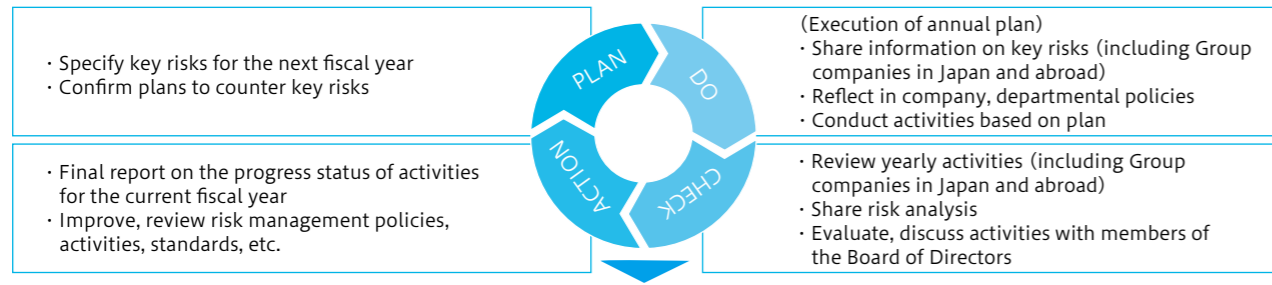
An Internal Control Committee headed by the company president identifies key risks, determines measures to counter them, and checks on the progress in executing these measures. In this way, these measures are made more effective.

In addition, initiatives to deal with key risks or unexpected business risks due to political instability or other external factors are discussed regularly by the Board of Directors, and continuous improvements are made.

Moreover, Risk Management and Response Guidelines have been established. These guidelines show the behaviors to adopt to prevent potential risks and to respond to problems appropriately and quickly. Parts of the BCP plan are discussed by the Board of Directors with respect to COVID-19. With consideration of the status of infection spread, actions taken to minimize the impact of COVID-19 include (1) preventing infection by promoting work from home, regulating business trips and visitors, and cancelling company internal events, (2) implementing measures for the event that an infection occurs in an employee, (3) maintaining our production network by monitoring issues, including at our suppliers, and (4) introducing profit improvement measures.



Principal risk management activities



External disclosure of activities (securities report, corporate governance report, annual report, company website, etc.)

Response to Key Risks

Operating foundation risks and business strategy risks based on the business environment are assessed from the perspective of impact on operations (financial impact, etc.) and possibility of occurrence (frequency),

and key risks are identified.

Key risks are reflected in company policy as important action items, and initiatives are made to mitigate or prevent risks.

Examples of Key Risks

Classification	Main key risks
Size of risk Impact on operations (financial impact, etc.) × Possibility of occurrence (frequency)	Large <ul style="list-style-type: none"> • Large-scale disaster (earthquakes, storm and flood damage, etc.) • COVID-19 (infection prevention, production system maintenance) • Risk/opportunity and handling based on TCFD <ul style="list-style-type: none"> • Carbon neutrality handling • DX handling • Impact of Russia/Ukraine situation • Cyberattacks/scam email • Recall due to serious quality problem • Human injury, operation shutdown due to serious labor accident
	Medium <ul style="list-style-type: none"> • Leakage of confidential information • Traffic accidents (causing serious damage/injury) • Occurrence of harassment
Small	<ul style="list-style-type: none"> • Anti-trust law violations • Business operations of partner companies • Interruption of business activities due to fire or explosion accidents

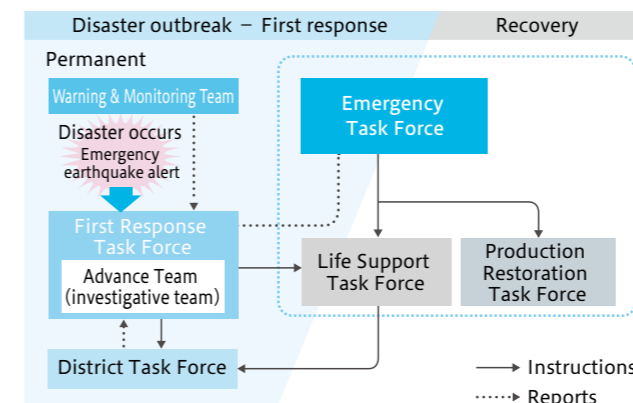
Crisis Management Project in Anticipation of Large-Scale Earthquake Disasters

A crisis management system has been put in place for the event of a massive disaster, such as the predicted Nankai Trough earthquake or natural disasters due to climate change. This system is based on the principles of human life first, community support, and early recovery. Specifically, in addition to infrastructure and system measures based on a crisis management project, resilience training has been conducted more than 160 times for directors and members of antidisaster departments since FY2013. These efforts are based on the company's belief that improving the skills of response personnel is essential. Specific procedures for the recovery of affected buildings, facilities, and processes have

also been established, and for alternative production in a production recovery system.

Recovery training for design drawings and other data is also carried out so that product development can be continued even after disasters. In addition, workshops to strengthen crisis management not only in Toyoda Gosei companies but also at Group companies and suppliers are conducted regularly. Assessments using anti-earthquake measure implementation status check sheets, clarification of weak points with graphs, introduction of responses taken at Toyoda Gosei and other companies, and cooperative preparation of business continuation plans (BCP) are carried out.

Disaster Response



Initiatives to Date

Classification	Measures
Facility and equipment measures	<ul style="list-style-type: none"> • Earthquake resistance measures for buildings and facilities • Establishment of a disaster prevention center to serve as an operations base for the entire company for anti-disaster department operations • Equipping all locations with a multi-channel access radio system (which is used in Japan for various purposes, from daily work to emergency and disaster situations) and satellite phones • Installation of a crisis management server (earthquake-resistant structure) and emergency power generators • Operation of a disaster recovery system for restoration of damaged systems and data centers (special facilities equipped with and operating computers, data communications, and other devices)
System measures	<ul style="list-style-type: none"> • Introduction of site and building safety decisions • Earthquake bulletin and employee safety information system training • Maintenance of supply chain information • Preparation of a business continuity plan (BCP)
Skills	<ul style="list-style-type: none"> • Continuation of resilience training (disaster simulations)

Strengthening of Global Risk Response

The status of risks, not just domestic but also frequently occurring global risks (tightening supply of parts and raw materials, COVID-19-related operation shutdowns, Ukraine situation and more), is identified, the early situation both in Japan and internationally is grasped (issuance of a

weekly BCP), and necessary actions are taken globally. Standardization is also underway so that measurements can be taken by domestic and international locations on their own initiative, strengthening the response to key risks seen in the business environment of each company.

Basic Policy for Cybersecurity Measures

To strengthen the control of confidential information, annual checks of the compliance status of each division based on company confidentiality management regulations are conducted together with onsite audits. Self-inspections are also done at Group companies in Japan and overseas, as well as at major suppliers.

Confidentiality officers are assigned in all departments, and confidentiality education activities are conducted based

on information system security operating standards and a confidential information management manual. At domestic and international Group companies and major suppliers, specific measures are stratified and executed based on the size of the impact on Toyoda Gosei and inspection results for cyber risk measures at each company. Regular reports and discussions are conducted in all company boards, and cybersecurity measures are taken together globally.

Main Cybersecurity Measures

Classification	Measures (domestic and international Group companies and suppliers respond in accordance with the size of the impact)
Prevent leakage due to negligence	Facility and equipment measures <ul style="list-style-type: none"> • Printing restrictions with ID card authentication for multifunction printers and dedicated drawing printers
	System measures <ul style="list-style-type: none"> • Data encryption on all personal computers • Security measures when sending emails out of the company (mandatory cc to superior's email address, encryption of attached files)
Prevent leakage due to malice	Facility and equipment measures <ul style="list-style-type: none"> • Increased surveillance cameras • Restrictions on writing onto external storage media • Installation of wire locks to prevent PC theft
	System measures <ul style="list-style-type: none"> • Confidentiality pledge • Monitoring of system use records, access log records • Stricter applications for taking items from premises • Strengthened hacking prevention measures (Internet) • Restricted access to file servers • Prevention of unauthorized connection to terminals brought in from the outside
Educational activities (morale measures)	<ul style="list-style-type: none"> • New employee education • On-site inspections of each department • Company-wide voluntary security control inspections using check sheets • Training in responding to targeted email attacks

Governance

Compliance

Basic Philosophy

Toyoda Gosei's management philosophy states, "We promote business operations with integrity through the establishment of a system founded on thorough compliance and corporate ethics." Together with highly ethical and fair business practices, we strive for thorough compliance in all areas based on this philosophy.

The Toyoda Gosei Group Charter for Business Ethics

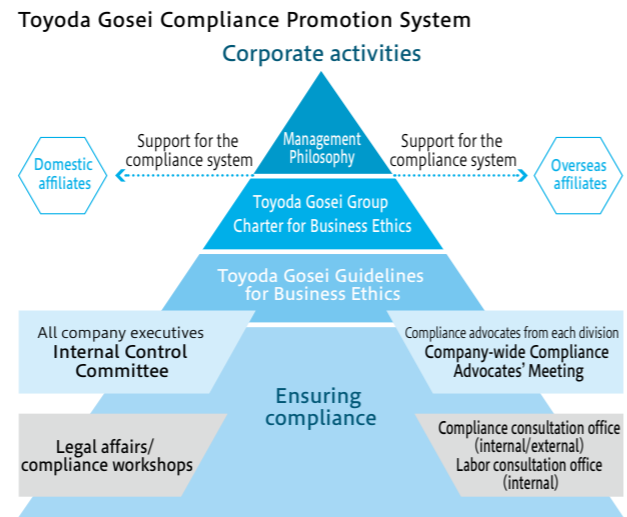
sets forth shared values and behavioral standards for the entire Toyoda Gosei Group. Group companies in Japan and other countries then formulate and implement their own behavioral guidelines based on the Charter. Toyoda Gosei Co., Ltd. has also established the Toyoda Gosei Guidelines for Business Ethics, which it expects every employee to follow, and has worked to familiarize all employees with these guidelines.

Compliance System

Toyoda Gosei has established the Internal Control Committee with the Company's president serving as chairman and all company officers as members. The Compliance Subgroup's activities include reporting on and discussing the status of compliance with business ethics, laws, and regulations. The items reported and discussed in the Committee are shared with the compliance advocates selected by each department in Companywide Compliance Advocates' Meetings so that they will be reflected in the activities of each workplace. The committee works for thorough compliance with a unified approach between management and the workplace.

Regular compliance liaison conferences are also held with Group companies in Japan. Group companies in other countries have also established compliance committees, appointed compliance advocates, or set up other compliance systems suited to the circumstances in their region and company. Compliance activities are

carried out globally in coordination with Toyoda Gosei Co., Ltd.



Specific Initiatives

Training and Educational Activities

Toyoda Gosei conducts various training and education activities with the aim of raising and solidifying compliance awareness in every employee. Trainings are conducted by level in the company and by risks corresponding to the work. The level-specific trainings target new officers, new managers, mid-level employees,

new employees and others as an opportunity to spread and deepen awareness of compliance at various career stages.

Risk-specific training is conducted for specific risks. These trainings include training for transferees prior to overseas assignments, anti-trust law training for

people in sales and other business departments, training for sports clubs and more. Educational tools using various case materials are also prepared,

including a "Compliance Academy" that is regularly published in the company newsletter, and Compliance KY Case Studies.

Awareness surveys and Self-Inspections

To ascertain the degree to which compliance awareness has penetrated the company and whether there are any signs of problems, we conduct an annual compliance sustainment questionnaire survey of all employees. The results of the survey are reported to the Internal Control Committee, and measures are implemented throughout the company based on the results. Each workplace also engages in educational activities led by compliance advocates.

In the FY2022 survey, the "level of recognition and understanding of the Toyoda Gosei Guidelines for Business Ethics" was 95.6%, and the "level of recog-

nition and understanding of compliance educational tools" was 93.4%.

Domestic and overseas group companies conduct annual self-inspections of the status of their compliance advocacy systems and major risks including antitrust and competition laws, bribery, internal control, labor, accounting, procurement, and quality. The results of the inspections are checked by each of the company's functional departments, and a feedback report is prepared. Each Group company then makes improvements based on the report and strives for thorough compliance through the PDCA cycle.

Initiatives for the Prevention of Antitrust and Competition Law Violations

The Toyoda Gosei Group Charter for Business Ethics states that we will conduct business activities with a spirit of "fair and free competition" (compliance with antitrust and competition laws). We have formulated the Codes of Conduct for Antitrust Law Compliance as guidelines to be followed by our employees, and are

working to ensure thorough compliance by employees through training and educational activities. Antitrust law compliance manuals based on the laws of each country are prepared for the regions where Group companies are located, and initiatives are made to prevent anticompetitive acts globally.

Initiatives to Prevent Corruption

The Toyoda Gosei Group Charter for Business Ethics clearly states that in our relationships with government agencies, political parties, and public officials, we shall strictly refrain from any behavior that could be mistaken for "back-scratching" or cronyism in the eyes of society in general, and shall strive to maintain highly transparent and sound relationships. We have also formulated Global Anti-Bribery Guidelines as a

common guide for global activities, and are making efforts to prevent bribery, accounting fraud, and other forms of corruption. Education is provided to employees through various types of level-specific training and training for Group companies doing business in regions where there is high risk to prevent corruption.

Early Detection and Correction of Problems Through an Internal Reporting System

We have established compliance consultation offices both inside and outside the company for the purpose of early detection and correction of problems related to violations of compliance, internal rules, and laws and regulations in the course of business operations. Outside lawyers are in charge of the external offices to deal with problems from an objective standpoint. This system allows all employees of the company and family members living with them to consult anonymously, and the company takes thorough measures to protect their privacy and ensure that they will not be treated unfairly because of their report.

that is used in common through external contacts. Overseas Group companies also have external or internal consultation services. In FY2021, as a result of making the consultation offices known to all, 42 reports and consultations were received from within the company and its domestic affiliates, mainly concerning labor management, workplace problems, and harassment. These cases were promptly investigated and appropriate corrective measures were taken to resolve the issues.

In addition to the internal consultation office of each Group company in Japan, inquiries are also handled at an external compliance consultation office

No. of Compliance Reports/Consultations (Japan)

FY	2018	2019	2020	2021
No. of cases	40	48	69	42

List of Workshops/Education at Toyoda Gosei

Category	Workshop name/education	Recipients	Main content	
Workshops	Workshops/study sessions for officers	Company officers	Company law, fiduciary duty, etc.	
	New manager training	New managers	Compliance, mental preparation as a manager, anti-trust laws, bribery, etc.	
	Legal affairs/compliance training	General employees (mid-level)	Compliance, contracts, internal company regulations, laws (anti-trust laws, bribery, etc.)	
	Fifth-year employee training	General employees (skilled workers)	Compliance in manufacturing settings	
	New employee training	New employees	Compliance, laws	
	For each risk	Pre-overseas assignment training	Management/General employees	Compliance precautions in other countries (anti-trust laws, bribery, etc.)
		Anti-trust law training	Management/General employees (sales)	Laws, internal company regulations
		Product liability law training	Management/General employees (technical)	Laws, internal company regulations
		Training for sports clubs	Management/General employees (athletes, staff)	Compliance overall
	Education	Compliance Academy (company newsletter)	All employees	Introduction of compliance cases
Compliance KY Case Studies		All employees	Theme-based cases and interpretations (100)	

Governance

Management Members (As of June 16, 2022)



Toru Koyama
President

- 1982 Joined Toyoda Gosei
- 2005 General Manager of Development Division, Safety Systems Business Unit, Toyoda Gosei
- 2012 Corporate Officer, Toyoda Gosei President, Toyoda Gosei North America Corp.
- 2015 Managing Officer, Toyoda Gosei
- 2016 In charge of Corporate Planning Division, Toyoda Gosei Director, Managing Officer, Toyoda Gosei Chief of Purchasing Headquarters, Toyoda Gosei
- 2018 Director, Senior Managing Officer, Toyoda Gosei
- 2019 Executive Vice President, Toyoda Gosei Chief of Corporate Planning Division, Toyoda Gosei
- 2020 President, Toyoda Gosei (current)



Tomonobu Yamada
Executive Vice President

- 1981 Joined Toyoda Gosei
- 2007 General Manager of Sales Division 1, Toyoda Gosei
- 2010 Director, Toyoda Gosei
- 2012 Corporate Officer, Toyoda Gosei
- 2014 Managing Officer, Toyoda Gosei Chief of Sales Headquarters, Toyoda Gosei (current)
- 2016 Director, Managing Officer, Toyoda Gosei President, Toyoda Gosei (Shanghai) Co., Ltd.
- 2017 Director, Senior Managing Officer, Toyoda Gosei Adviser to General Industry Products Division, Toyoda Gosei
- 2019 Director, Corporate Officer, Toyoda Gosei Chief of General Industry Products Division, Toyoda Gosei
- 2020 Executive Vice President, Toyoda Gosei (current) Chief of Audit Division, Toyoda Gosei (current) Adviser to General Industry Products Business Headquarters, Toyoda Gosei
- 2021 Adviser to Life Solution Business Headquarters, Toyoda Gosei
- 2022 Chief of Taiwan Regional Headquarters, Toyoda Gosei (current)



Hiroshi Yasuda
Director, Corporate Officer

- 1982 Joined Toyoda Gosei
- 2006 General Manager of Planning Division, Safety Systems Business Unit, Toyoda Gosei
- 2010 President, Toyoda Gosei Czech, s.r.o.
- 2012 Corporate Officer, Toyoda Gosei
- 2016 Director, Managing Officer, Toyoda Gosei Chief of Production Headquarters, Toyoda Gosei Chief of Plastic Parts Production Center, Toyoda Gosei President, Tianjin Toyoda Gosei Co., Ltd.
- 2017 Adviser to Quality Assurance Headquarters, Toyoda Gosei
- 2018 Director, Senior Managing Officer, Toyoda Gosei
- 2019 Director, Corporate Officer, Toyoda Gosei (current) Chief of Safety & Health Promotion Division, Environment Division, Toyoda Gosei (current)
- 2021 Chief of Corporate Strategy Headquarters, Toyoda Gosei (current) Chief of Carbon Neutrality and Environment Promotion Division, Toyoda Gosei Adviser to Automotive Business Headquarters, Toyoda Gosei



Masaki Oka
Director, Corporate Officer

- 1985 Joined Toyota Motor Corp.
- 2012 Project Senior Manager, Finance & Accounting Division, Toyota Motor Corp.
- 2014 General Manager of Related Business Department, Toyota Motor Corp.
- 2015 Adviser, Toyoda Gosei Corporate Officer, Toyoda Gosei General Manager of Finance & Accounting Division, Toyoda Gosei In charge of IT Planning Division, Toyoda Gosei
- 2016 Deputy Chief of Finance & Accounting Headquarters, Toyoda Gosei Adviser to Quality Assurance Headquarters, Toyoda Gosei In charge of Audit Division, Toyoda Gosei
- 2017 Chief of Finance & Accounting Headquarters, Toyoda Gosei
- 2018 Director, Managing Officer, Toyoda Gosei Chief of IT Headquarters, Toyoda Gosei
- 2019 Director, Corporate Officer, Toyoda Gosei (current) Chief of Audit Division, Toyoda Gosei
- 2020 Chief of Corporate Planning Division, Toyoda Gosei
- 2021 Chief of Corporate Strategy Headquarters, Toyoda Gosei Deputy Chief of Corporate Strategy Headquarters, Toyoda Gosei Chief of Purchasing Headquarters, Toyoda Gosei (current)



Mayumi Matsumoto
Outside Director

- 1987 Contract newscaster, TV Asahi Corporation
- 1993 Contract newscaster, Japan Broadcasting Corporation
- 2003 Freelance announcer, Horipro Inc.
- 2008 Collaborative Researcher, Research Center for Advanced Science and Technology, The University of Tokyo
- 2009 Project Researcher, same as above
- 2011 Director, principal researcher, International Environment and Economy Institute (current)
- 2013 Visiting Associate Professor, Special Division of Environmental and Energy Science, Komaba Organization for Educational Excellence (KOMEX), The University of Tokyo (current)
- 2017 Director, Japan Council for Renewable Energy (current)
- 2019 Director, Toyoda Gosei (current)



Kenji Oiso
Audit & Supervisory Board Member

- 1980 Joined Sumitomo Metal Industries, Ltd.
- 2002 Deputy Manager, Finance & Accounting Div., Sumitomo Metal Ind., Ltd.
- 2004 Joined Mitsubishi Sumitomo Silicon, Co., Ltd.
- 2006 General Manager, Finance & Accounting Division, SUMCO Corp.
- 2011 Corporate Officer, SUMCO Corp.
- 2014 Functional Officer, Yokogawa Sumikin Bridge Corp.
- 2016 Joined Mirai Co., Ltd. General Manager Finance & Accounting Division, Mirai Co., Ltd.
- 2017 Project General Manager, Finance & Accounting Division, Toyoda Gosei
- 2019 Managing Director, Toyoda Gosei Corporate Pension Fund
- 2020 Full-Time Audit & Supervisory Board Member, Toyoda Gosei (current)



Yamato Suzuki
Audit & Supervisory Board Member

- 1987 Joined Toyota Motor Corp.
- 2012 Group Leader, Litigation Dept., Legal Division, Toyota Motor Corp. (Project Senior Manager)
- 2015 Project General Manager, Corporate Planning Division, Toyoda Gosei
- 2016 Deputy General Manager, Legal Division, Toyoda Gosei General Manager, Legal Division, Toyoda Gosei
- 2021 Full-Time Audit & Supervisory Board Member, Toyoda Gosei (current)



Chika Kako
Outside Audit & Supervisory Board Member

- 1989 Joined Toyota Motor Corp.
- 2015 Chief Engineer, Lexus International ZL, Toyota Motor Corp.
- 2018 Managing Officer, Toyota Motor Corp.
- 2019 Field General Manager, Material Technology Field, Materials Advanced R&D and Engineering Company, Toyota Motor Corp.
- 2020 Senior General Manager, Material Technology Field, Advanced R&D and Engineering Company, Toyota Motor Corp. (current) Audit & Supervisory Board Member, Toyoda Gosei (current)



Takashi Ishikawa
Director, Corporate Officer

- 1985 Joined Toyota Motor Corp.
- 2008 General Manager of Upper Body Engineering Division 2, Toyota Motor Corp.
- 2013 Adviser, Toyoda Gosei Corporate Officer, Toyoda Gosei
- 2016 Managing Officer, Toyoda Gosei
- 2019 Corporate Officer, Toyoda Gosei
- 2020 Director, Corporate Officer, Toyoda Gosei (current) Chief of Research and Development Headquarters, Toyoda Gosei
- 2022 Chief of Carbon Neutrality and Environment Promotion Division, Toyoda Gosei (current) Technical Liaison Officer of Research and Development Headquarters, Toyoda Gosei (current)



Naoki Miyazaki
Director

- 1980 Joined Toyota Motor Company
- 2008 Managing Officer, Toyota Motor Corp.
- 2013 Senior Managing Officer, Toyota Motor Corp.
- 2014 Adviser, Toyoda Gosei Executive Vice President, Toyoda Gosei
- 2015 President, Toyoda Gosei
- 2020 Chairman, Toyoda Gosei
- 2021 Executive Vice President Toyoda Gosei (current) Director, Toyota Boshoku Corp. (current) Director, Toyoda Gosei (current) Outside Audit & Supervisory Board Member, Hino Motors, Ltd. (current)



Sojiro Tsuchiya
Outside Director

- 1975 Joined Nippondenso Co., Ltd.
- 2002 Director, Denso Corp.
- 2004 Managing Officer, Denso Corp.
- 2007 Senior Managing Director, Denso Corp.
- 2011 Executive Vice President, Denso Corp.
- 2013 Advising Executive Engineer, Denso Corp.
- 2015 Director, Toyoda Gosei (current) Adviser, Denso Corp.



Kimio Yamaka
Outside Director

- 1980 Joined Japan Development Bank
- 2007 Deputy Director-General, Development Bank of Japan
- 2009 Director of the Energy Strategy Institute Co., Ltd. (current)
- 2012 General Advisor on Energy Policy for Yamagata Pref. (current)
- 2014 Project Professor, Graduate School of Economics, Kyoto University (current)
- 2016 Director, Toyoda Gosei (current)



Hideomi Miyake
Outside Audit & Supervisory Board Member

- 1968 Joined Toyoda IronWorks Co., Ltd.
- 1993 Director, Toyoda IronWorks Co., Ltd.
- 1999 Managing Director, Toyoda IronWorks Co., Ltd.
- 2003 Senior Managing Director, Toyoda IronWorks Co., Ltd.
- 2005 President, Toyoda IronWorks Co., Ltd.
- 2011 Chairman, Toyoda IronWorks Co., Ltd.
- 2015 Audit & Supervisory Board Member, Toyoda Gosei (current)
- 2016 Senior Adviser, Toyoda Iron Works Co., Ltd. (current)



Hitoshi Kuwayama
Outside Audit & Supervisory Board Member

- 1990 Registered as attorney Joined Midosuji LPC
- 1997 Partner at Midosuji LPC
- 2011 Outside Company Auditor, Maxvalu Nishinohon Co., Ltd.
- 2012 Vice Chairman, Osaka Bar Association
- 2013 Part-time Lecturer, Kyoto University Law School
- 2015 Outside Director, Maxvalu Nishinohon Co., Ltd.
- 2020 Senior Partner, Midosuji LPC (current) Outside Director, Zett Corporation (Audit and Supervisory Committee Member) (current)
- 2022 Audit & Supervisory Board Member, Toyoda Gosei (current)

Corporate Officers

Ryo Onishi

Yoshiyuki Fujita

Hiromasa Zaitso

Yutaka Ogasawara

Tadashi Yamamoto

Mitsuhiro Nawashiro

Makoto Hasegawa

Katsumi Saito

Kenji Hayashi

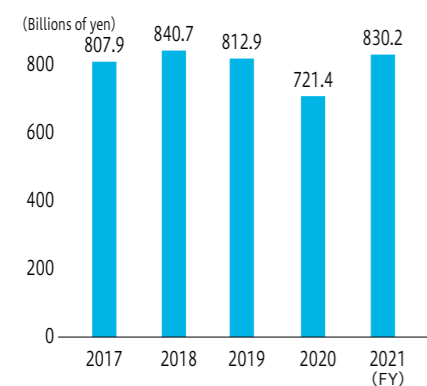
Data

Financial and Non-Financial Highlights

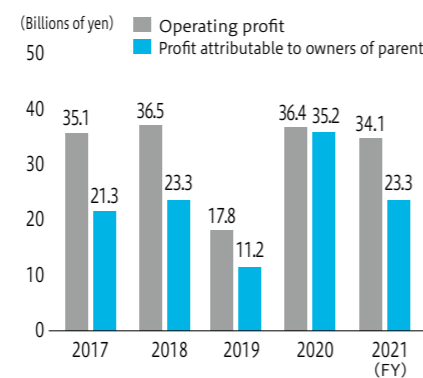
Financial Data

The Toyota Gosei Group adopted the IFRS effective from the first quarter of FY2018, ended March 31, 2019. Additionally, FY2017 data was converted to the IFRS basis.

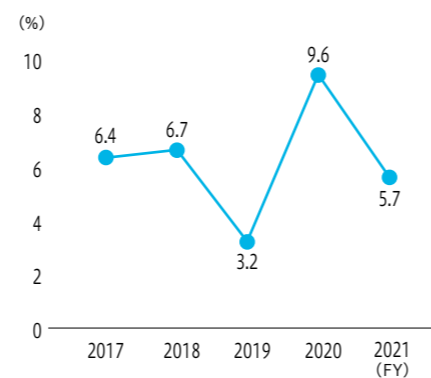
Revenue



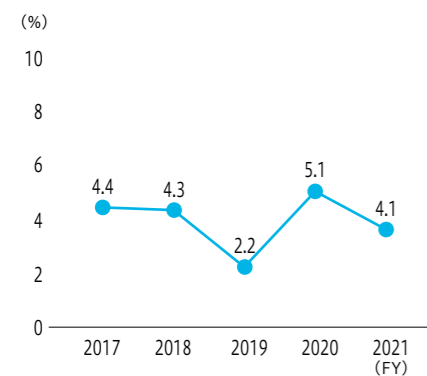
Operating Profit / Profit Attributable to Owners of Parent



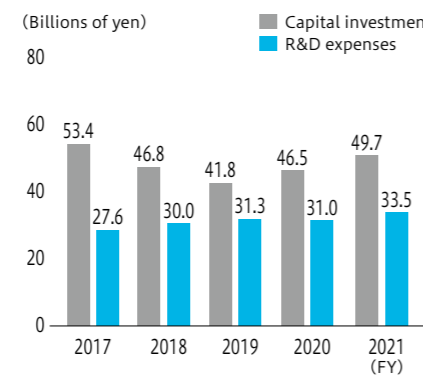
Return on Equity (ROE)



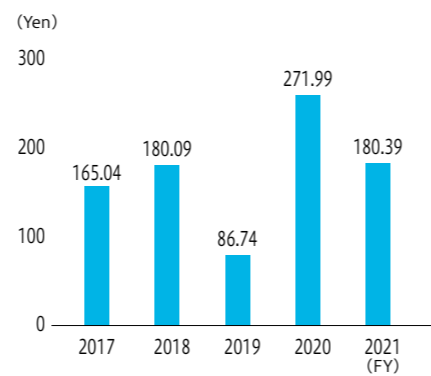
Operating Profit Ratio



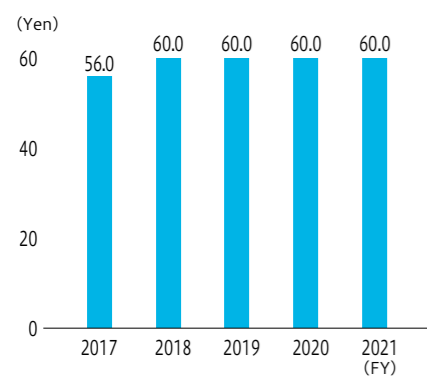
Capital Investment / R&D Expenses



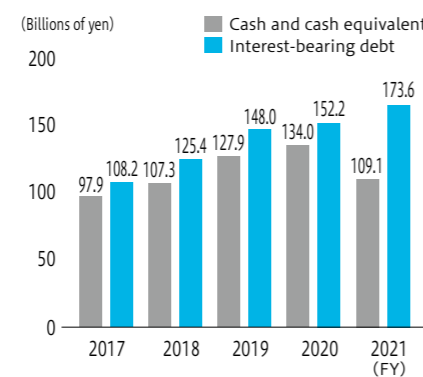
Basic Earnings per Share



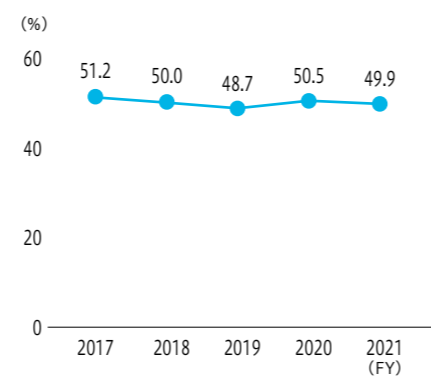
Annual Dividends per Share



Cash and Cash Equivalents / Interest-Bearing Debt



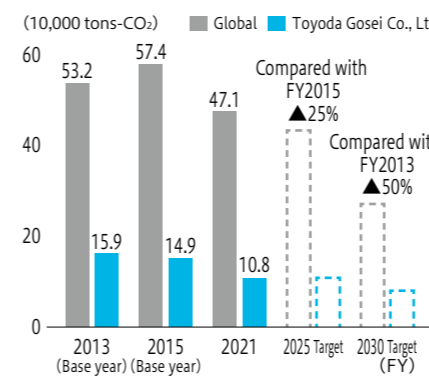
Ratio of Equity Attributable to Owners of Parent to Total Assets



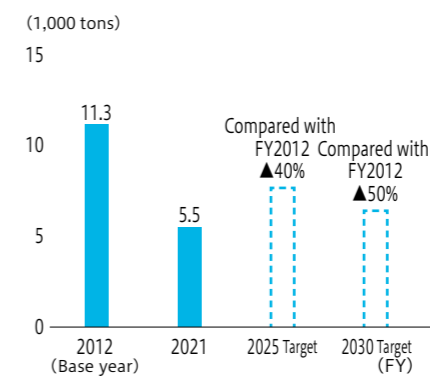
Non-Financial Data

Environment

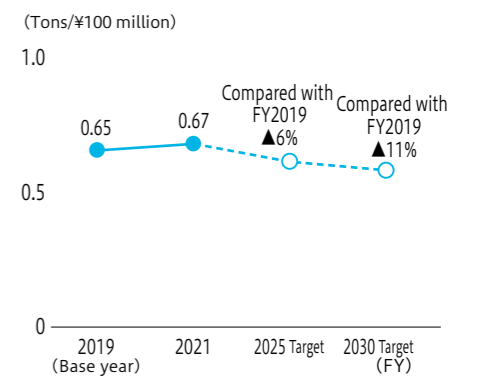
CO₂ Emissions per Sales Unit (Scope 1, 2)



Waste Volume [Toyota Gosei Co., Ltd.]

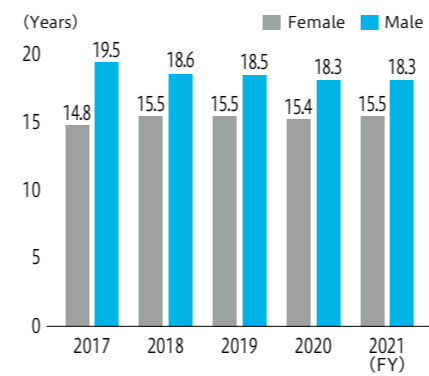


Water Intake per Sales Unit [Toyota Gosei Co., Ltd.]

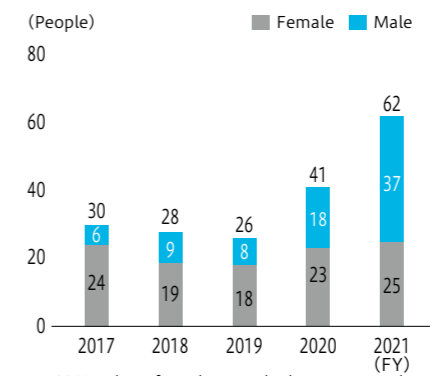


Social

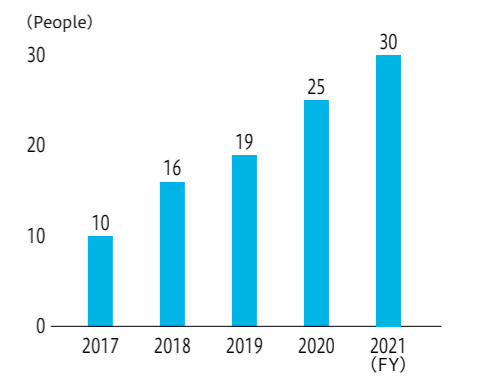
Average Years of Service for Male and Female Employees [Toyota Gosei Co., Ltd.]



Number of Parental Leaves Taken [Toyota Gosei Co., Ltd.]*1

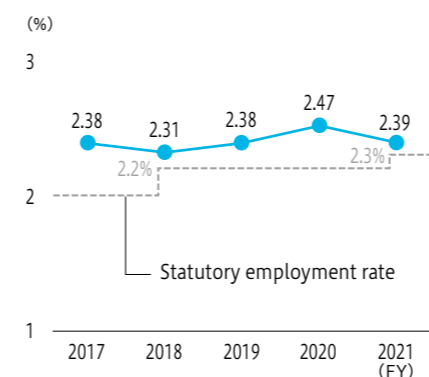


Number of Female Managers [Toyota Gosei Co., Ltd.]

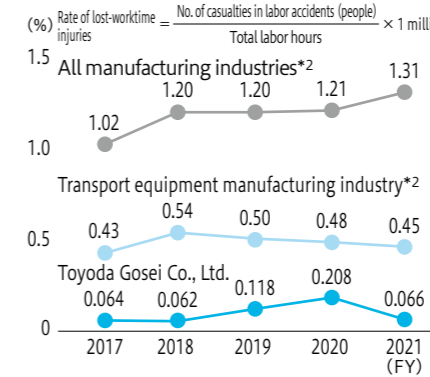


*1 Number of employees who began parental leave in fiscal year concerned

Employment Rate of People with Disabilities [Toyota Gosei Co., Ltd.]



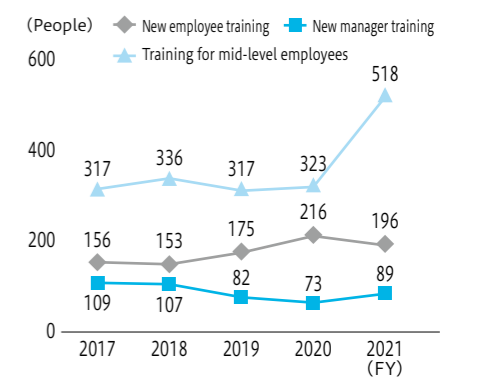
Labor Accident Rate (Rate of Lost-Worktime Injuries) [Toyota Gosei Co., Ltd.]



*2 Results of the Ministry of Health, Labour and Welfare's survey on labor accident trends (Survey period: January to December)

Governance

Number of People Who Have Taken Compliance Training [Toyota Gosei Co., Ltd.]



Consolidated 10-Year Financial Summary

							(Millions of yen; rounded down to the nearest million yen)						
J-GAAP		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	IFRS					
		(Fiscal year ended March 31, 2013)	(Fiscal year ended March 31, 2014)	(Fiscal year ended March 31, 2015)	(Fiscal year ended March 31, 2016)	(Fiscal year ended March 31, 2017)	(Fiscal year ended March 31, 2018)	FY2017	FY2018	FY2019	FY2020	FY2021	
		(Fiscal year ended March 31, 2018)	(Fiscal year ended March 31, 2018)	(Fiscal year ended March 31, 2019)	(Fiscal year ended March 31, 2020)	(Fiscal year ended March 31, 2021)	(Fiscal year ended March 31, 2022)						
Operating results	Net sales	599,615	689,477	727,846	781,886	755,601	806,938	Revenue	807,958	840,714	812,937	721,498	830,243
	Operating profit	36,706	43,798	41,603	42,824	40,675	41,136	Operating profit	35,179	36,525	17,888	36,479	34,172
	Ordinary profit	36,777	45,847	43,792	41,490	39,007	43,200	Profit before tax	35,507	37,356	16,106	37,301	37,696
	Profit before income taxes	36,571	46,101	39,851	36,710	31,288	35,775	Profit attributable to owners of parent	21,361	23,309	11,226	35,205	23,352
	Profit attributable to owners of parent	21,429	26,214	21,155	20,255	16,233	21,175						
Financial position	Cash and deposits	79,073	92,364	85,283	78,388	97,553	104,309	Cash and cash equivalents	97,991	107,311	127,930	134,003	109,145
	Current assets	244,798	279,281	291,246	281,212	305,273	328,524	Current assets	357,666	382,106	359,565	380,578	425,165
	Property, plant and equipment	196,163	210,214	250,557	241,408	245,666	259,537	Property, plant and equipment	241,581	257,728	273,479	290,246	316,901
	Non-current assets	244,846	262,596	316,926	306,160	315,425	333,819	Non-current assets	321,819	326,023	349,619	394,577	434,137
	Total assets	489,644	541,877	608,172	587,373	620,699	662,388	Total assets	679,485	708,129	709,185	775,155	859,302
	Short-term loans payable*	35,978	39,069	41,848	21,073	31,762	43,722	Borrowings	43,722	32,396	44,657	42,835	43,924
	Current liabilities	157,748	168,136	180,795	162,592	170,574	189,075	Current liabilities	195,392	194,309	180,653	185,535	209,396
	Bonds payable	—	—	—	—	—	10,000	Bonds and borrowings	64,511	93,089	103,399	109,379	129,772
	Long-term loans payable	23,329	31,138	42,929	44,691	57,261	54,458	Non-current liabilities	118,435	133,674	158,256	169,164	187,111
	Non-current liabilities	59,751	73,462	88,902	96,937	110,663	119,403	Total liabilities	313,828	327,983	338,909	354,700	396,508
	Total liabilities	217,500	241,598	269,697	259,530	281,237	308,479	Equity attributable to owners of parent					
Shareholders' equity	255,201	275,840	289,321	301,756	311,127	324,890	(Reference) Interest-bearing debt	108,233	125,486	148,057	152,215	173,696	
(Reference) Interest-bearing debt	59,307	70,207	84,777	65,765	89,023	108,181							
Cash flows	Cash flows from operating activities	52,451	55,448	51,283	77,765	60,401	60,848	Cash flows from operating activities	44,004	57,463	65,247	67,247	27,658
	Cash flows from investing activities	(40,989)	(45,680)	(62,432)	(56,261)	(82,131)	(39,201)	Cash flows from investing activities	(21,832)	(55,491)	(54,174)	(49,949)	(59,427)
	Cash flows from financing activities	(6,128)	(732)	(238)	(24,736)	14,794	6,541	Cash flows from financing activities	5,966	7,749	12,525	(13,065)	2,206
Key performance indicators	Return on sales (%)	3.6	3.8	2.9	2.6	2.1	2.6	Profit attributable to owners of parent ratio (%)	2.6	2.8	1.4	4.9	2.8
	Total asset turnover (times)	1.27	1.34	1.27	1.31	1.25	1.26	Total asset turnover (times)	1.23	1.21	1.15	0.97	1.02
	Equity ratio (%)	51.7	51.6	51.6	51.7	50.7	49.6	Ratio of equity attributable to owners of parent to total assets (%)	51.2	50.0	48.7	50.5	49.9
	Return on equity (ROE) (%)	9.0	9.8	7.1	6.6	5.2	6.6	Return on equity (ROE) (%)	6.4	6.7	3.2	9.6	5.7
	Capital investment	39,097	43,085	64,733	54,498	55,218	64,816	Capital investment	53,411	46,891	41,835	46,589	49,749
	Depreciation and amortization	38,633	38,743	39,353	44,462	40,902	44,037	Depreciation and amortization	32,545	32,927	35,323	35,527	38,499
	R&D expenses	27,279	29,170	29,579	28,409	27,164	27,864	R&D expenses	27,684	30,025	31,374	31,000	33,543
	Number of employees at year-end (consolidated)	30,190	31,672	34,754	35,903	36,679	38,234	Number of employees at year-end (consolidated)	38,234	39,429	39,403	38,823	39,511
Per share information (yen)	Annual dividends	44.00	56.00	56.00	56.00	53.00	56.00	Annual dividends	56.00	60.00	60.00	60.00	60.00
	Basic earnings	165.63	202.54	163.44	156.49	125.42	163.60	Basic earnings per share (yen)	165.04	180.09	86.74	271.99	180.39
	Dividend payout ratio (%)	26.57	27.65	34.26	35.79	42.26	34.23	Dividend payout ratio (%)	33.93	33.32	69.17	22.06	33.26

* Including current portion of long-term loans payable and redemption of bonds within one year

Financial Review

Financial Position and Operating Results

The global situation showed signs of recovery from the previous fiscal year, when the economy plunged into recession due to COVID-19 pandemic. However, the pace of recovery slowed in the second half of FY2021, mainly due to the resurgence of COVID-19, notably Omicron variant, and the surge in crude oil prices.

For most of the first half of the fiscal year the Japanese economy was sluggish against the backdrop of the state of emergency and measures to prevent spread of COVID-19. A recovery was expected in the second half of the fiscal year with the incoming Kishida administration, which sought for a virtuous cycle of growth and distribution, as well as a higher rate of vaccination for the population. This recovery, however, stalled with the spike in COVID-19 cases, especially with the Omicron variant, and with sluggish growth in consumer spending owing to higher prices.

The automobile industry was expected to recover at the beginning of the year, but global production was slow due to the shortage of semiconductors and a stagnant supply of parts due to the comeback in COVID-19 cases. The continued shortage of resin materials and disruption in the distribution network also had a significant impact on costs. Meanwhile, automakers in Japan and overseas announced their plans, notably for the launch of more EVs, thus marking the year when the automobile market begun a full-scale shift toward EVs, especially when Toyota Motor Corporation announced its plan to step up global production of BEVs to 3.5 million units by 2030.

Under these circumstances, although the Toyoda Gosei Group's revenue increased year on year, profits fell owing to a slowdown in the number of vehicles rolling off the assembly line, as well as due to the state of the materials market and soaring logistics costs. Changes in the external business environment have also had a significant impact, amplifying our cost burden owing to our inability to respond flexibly to fluctuations in automobile production volume.

Despite this difficult situation, we will not only continue to streamline operations and curb expenses, but will also carry out our growth strategy revolving around three key areas toward the realization of our medium- to long-term 2025 Business Plan.

The first pillar of our business activities is "Venture into innovation, new mobility." In other words, we are pursuing expeditious commercialization of innovative technologies in new business domains, and the development of new technologies and products adapted to transformations in automobiles.

In new business domains, we have expanded our product lineup with the launch of the UV-C Personal Space Disinfectant and Deodorizer. This product purifies and deodorizes the air using deep ultraviolet (UV-C) LEDs that are effective in removing viruses and bacteria. We also released the UV-C High-Speed Surface Disinfectant that is capable of killing bacteria and viruses in a very short space of time.

In terms of our next-generation dielectric rubber, e-Rubber, which moves using electricity, we developed FeelSole, a smart insole with sensors that can be fitted into a person's shoe to give pressure data on the sole of the foot during exercise. We started shipping samples of this

product to golf schools run by Mizuno Corporation. We are also developing next-generation power semiconductors using gallium nitride (GaN), a technology that contributes to the realization of an energy-saving society. We have succeeded in fabricating a larger, high-quality GaN substrate (GaN seed crystal) of over 6 inches in diameter, the largest of its kind in the world. As society moves toward carbon neutrality, the practical application and widespread use of next-generation power semiconductors is promising as a means of reducing power loss when controlling large volumes of power for renewable energy and EVs. We believe the larger diameter GaN substrates will greatly contribute to the issue of improving productivity (cost reductions).

In the automotive sector, we have brought new devices to market with the aim of realizing a safe and secure mobility society. In response to the more rigorous vehicle collision safety assessments that are expected in North America and other countries, we have developed a driver-side airbag with a new structure that better protects the driver's head and chest in the event of an angled collision. This state-of-the-art airbag has been fitted in the new Honda Civic. A pedestrian protection airbag we developed that protects pedestrians when hit by a car has also been fitted to SUBARU's latest Legacy Outback models. What is more, our LED illuminated emblems meet the ever-changing design needs of our customers. This product, used in Nissan's ARIYA crossover EV, lights up the car's logo, adding a new design dimension for BEVs.

The second pillar of our Group activities is "Strategies for growing markets/fields". Here, we have been taking steps to strengthen safety system operations, as one of our mainstay fields. To this end, we entered into a capital and business alliance with Ashimori Industry Co., Ltd. to further improve vehicle safety performance. Our respective companies will work together, leveraging each other's business assets and expertise going forward to strengthen our development capabilities and product competitiveness. In this way, we will work on the development of airbag and seatbelt systems, as well as next-generation safety systems for electric and self-driving vehicles.

Our third pillar of activity will focus on "Innovative manufacturing at production sites." Here, we aim to create smart factories to support sustainable growth for the Group. The Toyoda Gosei Group concept of an advanced factory aims to be a clean production site that emits no CO₂ or waste, where anyone can work actively with no accidents and no claims of damage or injury. As more kinds of vehicles come off the production line, we are working not only to increase productivity through the introduction of collaborative robots and IoT systems that centrally manage production processes, but also on environmentally friendly manufacturing to enable employees to work securely and safely. This initiative will be rolled out in new plants and then gradually incorporated into existing factories.

Despite a drop in production due to a shortage of semiconductors and other factors, revenue for FY2021 increased year on year to ¥830.2 billion (up 15.1%) thanks to greater sales in LED-related business and a recovery

from lower production caused by COVID-19 pandemic in the previous fiscal year.

Notwithstanding the effects of increased sales, operating profit was ¥34.1 billion (down 6.3% year on year) and profit attributable to owners of parent was ¥23.3 billion (down 33.7%) due to factors such as soaring raw material prices and the cost of not being able to deal flexibly to fluctuations in automobile production volume.

(Millions of yen)

Consolidated results	FY2021	FY2020
Revenue	830,243	721,498
Operating profit	34,172	36,479
Profit attributable to owners of parent	23,352	35,205

Revenue by Segment

Japan

Despite a drop in production due to a shortage of semiconductors for automobiles, revenue was ¥399.5 billion (up 11.6% year on year) thanks to greater sales in LED-related business.

Segment profit was ¥15.8 billion (up 31.2% year on year) due to a temporary decrease in retirement benefit costs following changes to the retirement system.

Americas

Revenue was ¥240.7 billion (up 18.3% year on year) thanks to a favorable exchange rate and recovery from production cuts caused by COVID-19 pandemic in the previous fiscal year.

Notwithstanding the effects of increased sales, segment profit was ¥4.1 billion (down 69.7% year on year) due to factors such as soaring raw material prices and the cost arising from our inability to deal flexibly to fluctuations in automobile production volume, as well as a rebound from government subsidies in the previous fiscal year.

Asia

Revenue was ¥226.0 billion (up 18.7% year on year) buoyed by a pick up in production in Thailand, India, Indonesia, and other countries.

Despite the impact from a drop in sales in China and soaring raw material prices throughout Asia, segment profit was ¥15.2 billion (up 5.6% year on year), boosted by increased sales in other regions.

Europe & Africa

Revenue was ¥26.9 billion (up 2.8% year on year).

Segment loss was ¥0.9 billion (compared with a loss of ¥3.9 billion in the previous fiscal year) due in part to a reaction to a restructuring provision for the U.K. subsidiary recorded in FY2020.

(Millions of yen)

Revenue by segment	FY2021	FY2020
Japan	399,575	358,082
Americas	240,730	203,421
Asia	226,037	190,479
Europe & Africa	26,992	26,261

* Revenue by segment includes amounts for internal transactions within the Toyoda Gosei Group, and so does not match the total value for consolidated sales.

Financial Condition

Analysis of Financial Position

1. Assets, liabilities, and equity

Total assets at fiscal year-end increased by ¥84.1 billion year on year to ¥859.3 billion, driven mainly by an increase in trade and other receivables. Liabilities totaled ¥396.5 billion, a ¥41.8 billion year-on-year increase due mainly to growth in trade and other payables.

Equity totaled ¥462.7 billion, a ¥42.3 billion year-on-year increase mainly attributable to growth in other components of equity.

2. Cash flows

Cash and cash equivalents at the end of the fiscal year under review fell by ¥24.8 billion, from ¥134.0 billion at the end of the previous fiscal year to ¥109.1 billion.

Cash flows and related factors during the fiscal year under review were as follows.

Cash flows from operating activities

Net cash flows provided by operating activities was ¥27.6 billion, a decrease of ¥39.5 billion from the previous fiscal year. This was mainly due to an increase in expenditures of ¥22.5 billion in trade and other receivables and ¥6.1 billion in provisions.

Cash flows from investing activities

Net cash flows used in investing activities was ¥59.4 billion, an increase of ¥9.4 billion from outflows recorded in the previous fiscal year. This was mainly due to a ¥2.3 billion decrease in proceeds from withdrawal of time deposits, in addition to an increase in expenditures, ¥4.0 billion for payments into time deposits, and ¥2.1 billion for the purchase of property, plant and equipment, and intangible assets.

Cash flows from financing activities

Net cash flows provided by financing activities was ¥2.2 billion, an increase of ¥15.2 billion from the previous fiscal year. This was mainly due, in addition to an increase of ¥16.4 billion in repayments of long-term borrowings, to a net inflow of ¥38.7 billion in proceeds from and expenditures for short-term borrowings, despite a decrease of ¥8 billion in proceeds from long-term borrowings.

(Millions of yen)

Cash flows	FY2021	FY2020
Cash flows from operating activities	27,658	67,247
Cash flows from investing activities	(59,427)	(49,949)
Cash flows from financing activities	2,206	(13,065)

Consolidated Financial Statements

(Millions of yen)

Consolidated statement of financial position	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	134,003	109,145
Trade and other receivables	149,249	182,595
Other financial assets	9,617	17,421
Inventories	72,888	94,862
Other current assets	14,819	21,140
Total current assets	380,578	425,165
Non-current assets		
Property, plant and equipment	290,246	316,901
Intangible assets	4,571	5,154
Other financial assets	41,983	50,650
Investments accounted for using equity method	14,844	15,642
Retirement benefit asset	6,254	5,741
Deferred tax assets	21,349	18,706
Other non-current assets	15,326	21,340
Total non-current assets	394,577	434,137
Total assets	775,155	859,302
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	126,784	147,942
Borrowings	42,835	43,924
Other financial liabilities	4,076	4,158
Income taxes payable	3,439	3,730
Provisions	2,638	2,648
Other current liabilities	5,760	6,993
Total current liabilities	185,535	209,396
Non-current liabilities		
Bonds and borrowings	109,379	129,772
Other financial liabilities	13,510	13,645
Retirement benefit liability	34,745	32,420
Provisions	4,578	3,233
Deferred tax liabilities	5,015	5,304
Other non-current liabilities	1,935	2,734
Total non-current liabilities	169,164	187,111
Total liabilities	354,700	396,508
Equity		
Share capital	28,046	28,069
Capital surplus	25,626	24,465
Treasury shares	(1,232)	(1,233)
Other components of equity	17,759	42,433
Retained earnings	320,883	335,069
Total equity attributable to owners of parent	391,083	428,804
Non-controlling interests	29,372	33,989
Total equity	420,455	462,794
Total liabilities and equity	775,155	859,302

(Millions of yen)

Consolidated statement of profit or loss	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Revenue	721,498	830,243
Cost of sales	(622,832)	(733,686)
Gross profit	98,665	96,557
Selling, general and administrative expenses	(56,423)	(64,050)
Other income	3,225	5,239
Other expenses	(8,987)	(3,574)
Operating profit	36,479	34,172
Finance income	3,035	5,912
Finance costs	(3,116)	(2,651)
Share of profit of investments accounted for using equity method	903	264
Profit before tax	37,301	37,696
Income tax expense	773	(10,962)
Profit	38,075	26,734
Profit attributable to		
Owners of parent	35,205	23,352
Non-controlling interests	2,870	3,382
Profit	38,075	26,734
Earnings per share		
Basic earnings per share (yen)	271.99	180.39
Diluted earnings per share (yen)	271.97	180.38

(Millions of yen)

Consolidated statement of comprehensive income	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Profit	38,075	26,734
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	6,252	4,926
Remeasurements of defined benefit plans	3,757	221
Share of other comprehensive income of investments accounted for using equity method	112	37
Total of items that will not be reclassified to profit or loss	10,121	5,185
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	9,702	20,533
Share of other comprehensive income of investments accounted for using equity method	74	841
Total of items that may be reclassified to profit or loss	9,776	21,375
Other comprehensive income, net of tax	19,898	26,560
Comprehensive income	57,974	53,294
Comprehensive income attributable to		
Owners of parent	53,857	48,251
Non-controlling interests	4,116	5,043
Comprehensive income	57,974	53,294

Consolidated statement of changes in equity

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance as of April 1, 2020	28,027	26,968	(1,220)	(10,593)	12,826	—
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	8,705	6,289	3,657
Total comprehensive income	—	—	—	8,705	6,289	3,657
Issuance of new shares	18	18	—	—	—	—
Purchase of treasury shares	—	—	(11)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(1,360)	—	531	—	(0)
Change in scope of consolidation	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(3,657)
Other	—	—	—	—	—	—
Total transactions with owner	18	(1,341)	(11)	531	—	(3,657)
Balance as of March 31, 2021	28,046	25,626	(1,232)	(1,356)	19,116	—
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	19,735	4,910	253
Total comprehensive income	—	—	—	19,735	4,910	253
Issuance of new shares	23	23	—	—	—	—
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(1,184)	—	—	—	—
Change due to capital increase	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	29	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(253)
Other	—	—	—	—	—	—
Total transactions with owners	23	(1,161)	(1)	29	—	(253)
Balance as of March 31, 2022	28,069	24,465	(1,233)	18,407	24,026	—

	Equity attributable to owners of parent				
	Other components of equity	Retained earnings	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2020	2,233	289,061	345,070	25,204	370,275
Profit	—	35,205	35,205	2,870	38,075
Other comprehensive income	18,652	—	18,652	1,246	19,898
Total comprehensive income	18,652	35,205	53,857	4,116	57,974
Issuance of new shares	—	—	36	—	36
Purchase of treasury shares	—	—	(11)	—	(11)
Dividends	—	(7,120)	(7,120)	(1,984)	(9,104)
Changes in ownership interest in subsidiaries	531	—	(829)	1,335	506
Change in scope of consolidation	—	80	80	373	453
Transfer from other components of equity to retained earnings	(3,657)	3,657	—	—	—
Other	—	—	—	325	325
Total transactions with owners	(3,126)	(3,383)	(7,844)	50	(7,794)
Balance as of March 31, 2021	17,759	320,883	391,083	29,372	420,455
Profit	—	23,352	23,352	3,382	26,734
Other comprehensive income	24,899	—	24,899	1,661	26,560
Total comprehensive income	24,899	23,352	48,251	5,043	53,294
Issuance of new shares	—	—	46	—	46
Purchase of treasury shares	—	—	(1)	—	(1)
Dividends	—	(9,063)	(9,063)	(2,593)	(11,657)
Changes in ownership interest in subsidiaries	—	—	(1,184)	1,606	421
Change due to capital increase	—	—	—	176	176
Change in scope of consolidation	—	(355)	(326)	383	57
Transfer from other components of equity to retained earnings	(253)	253	—	—	—
Other	—	—	—	—	—
Total transactions with owners	(224)	(9,165)	(10,529)	(426)	(10,955)
Balance as of March 31, 2022	42,433	335,069	428,804	33,989	462,794

(Millions of yen)

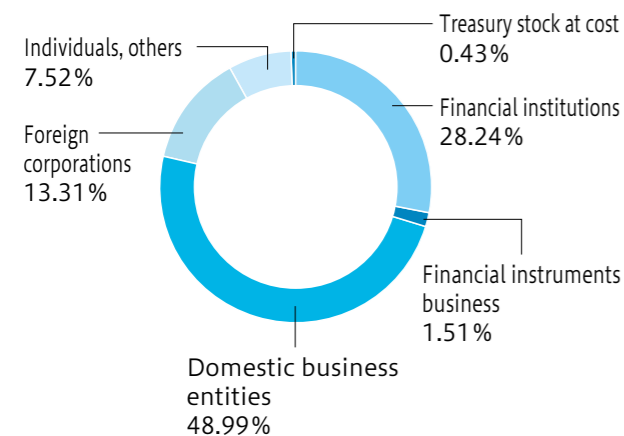
Consolidated statement of cash flows

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before tax	37,301	37,696
Depreciation and amortization	37,812	41,944
Impairment loss (reversal of impairment loss)	813	—
Increase (decrease) in provision	4,749	(1,411)
Increase (decrease) in retirement benefit liability	101	(414)
Decrease (increase) in retirement benefit asset	933	(2,240)
Finance income	(2,800)	(5,235)
Finance costs	3,116	2,566
Share of loss (profit) of investments accounted for using equity method	(903)	(264)
Loss (gain) on sale of fixed assets	668	75
Decrease (increase) in inventories	(6,410)	(15,789)
Decrease (increase) in trade and other receivable	(2,707)	(25,283)
Increase (decrease) in trade and other payables	6,187	13,718
Other	(3,378)	(8,344)
Subtotal	75,485	37,019
Interest received	2,001	1,740
Dividends received	893	1,178
Interest paid	(3,168)	(2,582)
Income taxes paid	(7,964)	(9,697)
Net cash provided by operating activities	67,247	27,658
Cash flows from investing activities		
Payments into time deposits	(16,142)	(20,189)
Proceeds from withdrawal of time deposits	15,673	13,297
Purchase of property, plant and equipment, and intangible assets	(49,595)	(51,728)
Proceeds from sale of property, plant and equipment, and intangible assets	632	1,206
Purchase of investments	(566)	(1,357)
Proceeds from sale of investments	16	—
Other	33	(656)
Net cash used in investing activities	(49,949)	(59,427)
Cash flows from financing activities		
Proceeds from short-term borrowings	21,249	54,362
Repayments of short-term borrowings	(39,749)	(34,138)
Proceeds from long-term borrowings	32,429	24,415
Repayments of long-term borrowings	(11,417)	(27,868)
Repayments of lease liabilities	(2,777)	(3,073)
Dividends paid	(7,117)	(9,071)
Dividends paid to non-controlling interests	(1,984)	(2,593)
Payments of the abolition of the in-house deposit system	(4,193)	—
Other	494	175
Net cash provided by (used in) financing activities	(13,065)	2,206
Net increase (decrease) in cash and cash equivalents	4,233	(29,562)
Cash and cash equivalents at beginning of period	127,930	134,003
Effect of exchange rate changes on cash and cash equivalents	1,840	4,704
Cash and cash equivalents at end of period	134,003	109,145

Company and Investor Information (As of March 31, 2022)

Location of headquarters	1 Haruhinagahata, Kiyosu, Aichi, 452-8564, Japan	Common stock	Authorized 200,000,000 shares Issued 129,486,496 shares (Excluding 558,510 shares of treasury stock)
Date of establishment	June 15, 1949	Number of shareholders	13,403
Capital	¥28 billion	Stock exchange listings	Tokyo Stock Exchange and Nagoya Stock Exchange
Consolidated subsidiaries	55 (14 in Japan, 41 in other countries)	Shareholder registry administrator and special account management institution	Mitsubishi UFJ Trust and Banking Corporation
Equity method affiliated companies	6 (3 in Japan, 3 in other countries)	Securities code	7282
Number of employees	Consolidated: 39,511 Toyoda Gosei Co., Ltd.: 6,676		

Distribution for Each Type of Shareholder



Major Shareholders

Shareholder name	Number of shares held (unit: 1,000 shares)	Investment ratio (%)
Toyota Motor Corporation	55,459	42.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,192	10.18
Custody Bank of Japan, Ltd. (Trust Account)	7,844	6.05
Sumitomo Mitsui Banking Corporation	5,049	3.89
Toyoda Gosei Employee Stock Ownership Association	1,626	1.25
Nippon Life Insurance Company	1,592	1.22
The Dai-ichi Life Insurance Company, Ltd.	1,381	1.06
State Street London Care of State Street Bank and Trust, Boston SSBTC A/C UK London Branch Clients- United Kingdom	1,223	0.94
Daiei Sangyo Kaisha, Ltd.	1,041	0.80
Denso Corporation	1,002	0.77

* Share-holding stakes are calculated after deducting treasury shares.

External Recognition

Main Indices Selected in Composite

JPX Nikkei Index 400	
S&P/JPX Carbon Efficient Index	
MSCI Japan Empowering Women Index (WIN)	 <small>THE INCLUSION OF Toyoda Gosei Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Toyoda Gosei Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.</small>

External Recognition for Sustainability

Nikkei SDGs Management Survey 2021 ★★★★★☆	
CDP Climate Change 2021 Score: A- Supplier Engagement 2021 Rating: A Water Security 2021 Score: A-	
Energy Conservation Grand Prize (Best Practices category) Agency for Natural Resources and Energy Commissioner's Award	
2022 Health & Productivity Management	
Sports Yell Company 2022	

External Recognition for Communication

Securities Analysts Association of Japan: Third in automotive/automotive parts/tire division of the 2022 Award for Excellence in Corporate Disclosure

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