

# Strengthening the Management Base to Support the Growth Strategy

## Revitalization of People and Organizations

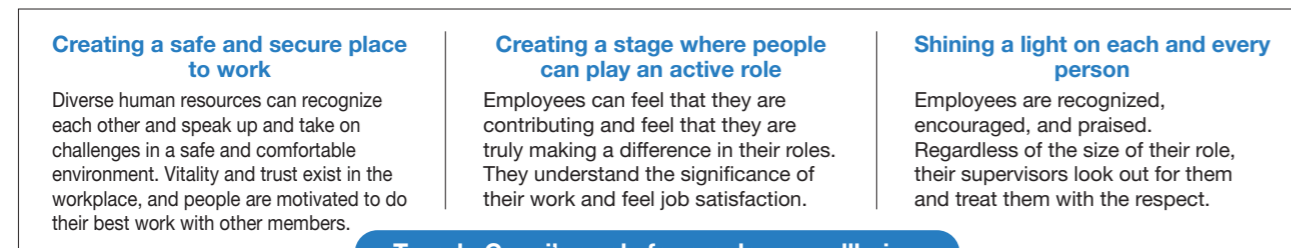
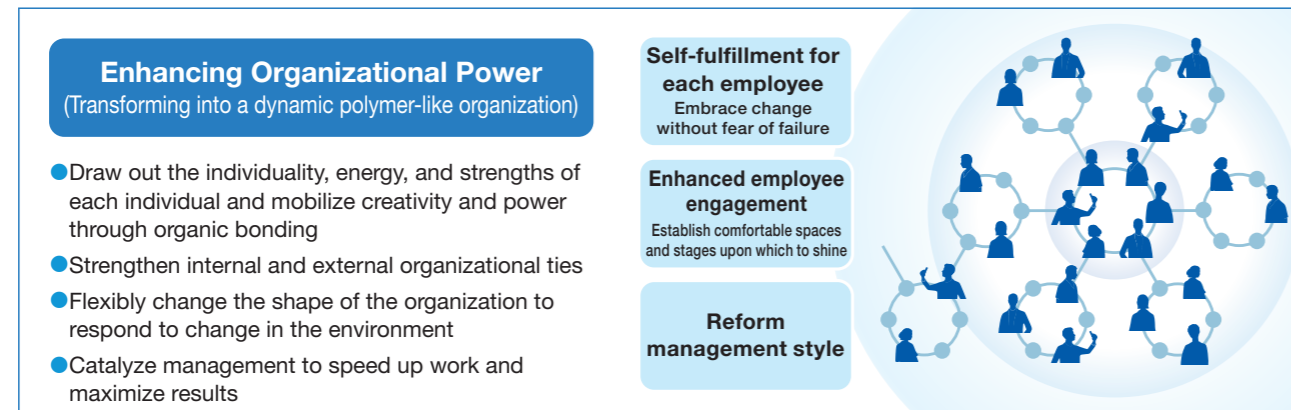
### Corporate Culture and Human Resources to Support Achieving of the 2030 Business Plan

In order to achieve the targets in the 2030 Business Plan, we believe it is important to embrace change without fear of failure, and to seize and create opportunities by taking on challenges, and we will develop measures for enhancing both corporate culture and human resources.

In terms of the corporate culture, we aim to create a dynamic “polymer-like organization.” Each and every molecule with various personalities and values stimulates each other, enhances creativity by creating chemical reactions, and brings together power through strong bonds among molecules. The same stimulation and reaction occurs among teams, groups, divisions, and affiliated companies, as well as with other organizations such as partner companies, suppliers, business partners, and customers, resulting in a high level of creativity and productivity. We are able to freely

change our form and create new value in response to changes in the environment. This is what we think of as a polymer-like organization. In order to create the corporate culture that is a foundation for this, we will support the attainment of employee wellbeing through Self-realization by creating a safe and secure place to work, creating a stage where they can play an active role, and shining a light on each and every one of them.

In the area of human resources, on the other hand, TG aims to develop human resources who can ask themselves questions about the social value and significance of TG’s existence and strategically develop their businesses. To this end, we are working to acquire diverse human resources and review our business portfolio.



Toyoda Gosei's goals for employee wellbeing

### Our Human Resources Strategy Linked to Our Vision and Business Plan

We regard the use of diverse human resources and respect for human rights as one of our materiality (key issues), and have been focusing on the three pillars of our human resource strategy: promotion of human resource development, active participation of diverse human resources, and creation of a comfortable work environment, and have been working to provide educational opportunities to acquire problem solving methods and the PDCA cycle, which are fundamental to

how work is conducted, as well as specialized knowledge in areas such as technology and materials, to create an environment where women, people with disabilities, and people with diverse values can demonstrate their abilities, and to improve engagement, where job satisfaction and a sense of growth overlap with our efforts to achieve our corporate vision. However, when examined in light of human capital management, which today is expected to be a significant

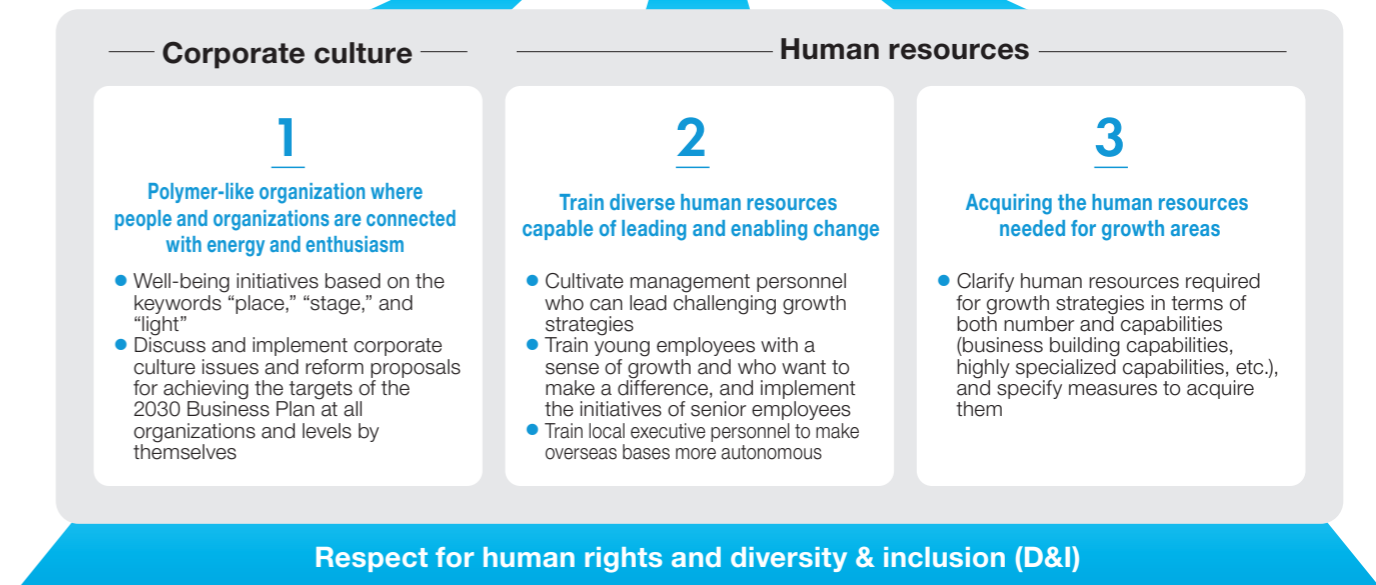
method for increasing corporate value, our human resource strategy to date has been based on the recognition of issues from the perspective of human resource functionality, and so we have revised our human resource strategy (see figure below). In FY2023, we will

further strengthen the linkage with the management strategy, and based on the newly formulated strategy, we are developing new measures and implementing new initiatives in addition to the previous ones.

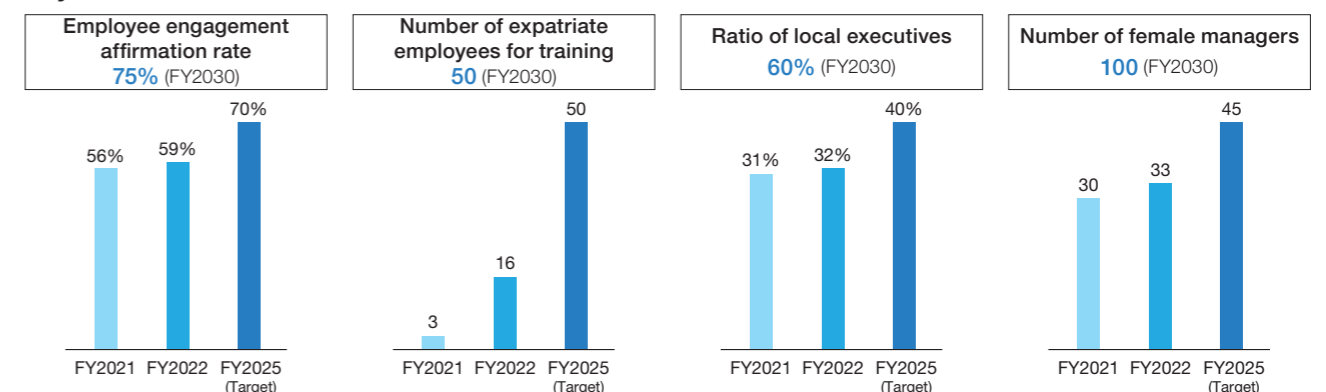
**Become a company that pursues the possibilities of polymers to contribute to a future of better mobility and living.**

**What We Aspire to Be** To embrace change without fear of failure, and to seize and create opportunities by taking on challenges

**Mainstays of measures to achieve the human resource strategy**



### Key KPIs



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### Revitalization of People and Organizations

#### Achieving Sustainable Growth through Highly Strategic Execution of Operations

The auto industry is undergoing a major transformation with the conversion to electrification and automated driving. Moreover, the future is unclear and difficult to predict due to changes in people's values, worsening environmental and social issues, geopolitical risks, and other factors, making it extremely difficult for management to steer the ship.

We will turn uncertain situations into opportunities for growth through speedy and highly strategic execution of operations, such as by accepting uncertain events with a high level of sensitivity, changing management approaches in line with the times, and adopting new initiatives.

#### Adoption of CxO (Chief Officer) system

We adopted the CxO (Chief Officer) system upon enactment of the new executive structure in June 2023. By transferring some of the president's authority and responsibilities to the CxOs, we will manage key

functions globally, going beyond the framework of business and regional operation bases, to realize highly strategic execution of operations and speed up management.

CxO	Role
CEO (Chief Executive Officer)	Determines medium- to long-term policies for sustainable growth of the company (Maximize corporate value)
CFO (Chief Financial Officer)	Formulates strategies and allocates resources to realize medium- to long-term policies
CRO (Chief Risk Officer)	Evaluates, takes countermeasures against, and controls various risks facing the company
CSMO* (Chief Strategic Marketing Officer)	Conducts market, competitive, and customer research and analysis, and develops and oversees global sales strategies
CTO (Chief Technology Officer)	Directs product and manufacturing method development to achieve medium- to long-term policies
CMO (Chief Manufacturing Officer)	Directs strategies and measures to improve SQDC of manufacturing to enhance competitive advantages

\* Introduced in November 2023

#### Revitalization of people and organizations through the CoE (Center of Excellence) concept

In order to achieve sustainable growth even in an uncertain business environment, it is essential to speedily and reliably implement functional and business strategies, and it is important to strengthen cooperation among production bases and organizations. We will adopt the new CoE concept and implement a management style in which each of the 16 countries/regions and 62 locations globally are united, and each region and location will be more actively involved in the decision-making processes for conducting business than ever before.

Furthermore, we will deploy globally from Japan, the Americas, China, ASEAN, India, and Europe the technologies and methods that are our strengths and have been cultivated and developed in each region, and create synergies throughout our Group companies, thereby drawing out the motivation and power of each region and organization. We aim to further strengthen our global network, which is one of our competitive advantages, and to realize management based on regional autonomy that is tailored to the characteristics of each region.

#### Sharing the regional strengths we have cultivated on a global scale

We will strive to revitalize people and organizations by adopting the best of each region and implementing a cycle of Change and Challenge.

#### Examples of CoE (Global expansion from overseas regions)

- Low-cost, energy-saving production automation technology
- National human resource development and recruitment methods

### Financial Policy

#### Message from the CFO

**In a rapidly changing business environment, we are committed to improving our corporate value by reviewing our business portfolio and improving capital efficiency.**

#### Progress of the 2025 Business Plan

Under the 2025 Business Plan prepared in May 2018, we have been working to achieve our management targets of 1 trillion yen in sales revenue, 8% in operating profit ratio, and 10% in ROE. Although automobile production volume was lower than expected, we are still expecting to reach our sales revenue target because of expanding sales to new customers. However, it will take some time to achieve our operating profit ratio and ROE targets due to significant changes in the business environment surrounding our company, including the COVID-19 pandemic, semiconductor supply shortages, and soaring raw material prices.

On the financial side, we have set forth our financial policy in line with the 2025 Business Plan from the three perspectives of shareholder returns, capital investment, and cash on hand. For shareholder returns, we have maintained a consolidated dividend payout ratio of 30% or more, but the dividend per share has remained the same and has not met the expectations of our shareholders. Capital investment continued at an annual pace of approximately 50 billion yen, and we secured 30 billion yen in cash on hand as risk-response funds in our consolidated monthly sales, which contributed to sales expansion, but left us with challenges in improving profitability and efficiency.

In preparing the 2030 Business Plan, we have formulated a new financial policy that balances growth, soundness, and efficiency while enhancing corporate value. In particular, we will focus on B/S management to improve efficiency based on our recognition of current issues.



**Hiroshi Yasuda**  
Vice President  
CFO

#### New Financial Policies to Support the 2030 Business Plan

##### 2030 Business Plan

The 2030 Business Plan sets forth our vision of becoming a company that pursues the possibilities of polymers to contribute to a future of better mobility and living by setting our basic policy to focus on areas that combine social value and economic value. As priority measures, we will (1) implement structural reforms to achieve growth in priority businesses, regions, and customers, (2) forge strategic alliances to accelerate growth globally and strategically reinforce development and intellectual properties (IP), and (3) revamp management through a polymer-like organization in which people and organizations are organically bonded. We have set management targets of sales revenue of 1,200 billion yen, operating profit of 100 billion yen, operating profit ratio of 8%, and ROE of 10%.



## Strengthening the Management Base to Support the Growth Strategy

### Financial Policy

#### 2030 Business Plan: Toward Greater Growth

The new financial policy is based on the idea of aiming to boost growth and increase corporate value through a balance of growth potential, soundness, and efficiency, and strengthening balance sheet management to achieve an ROE of 10%.

#### Growth potential

Investment resources, including R&D, will be allocated with priority to areas where high growth and profitability can be expected. On the business side, these are safety systems and interior and exterior components, and on the regional side, these are the Americas and India.

For example, in India, which is growing rapidly, we expect further growth, especially in the field of safety systems. A new regulation will soon require the use of six airbags, which will make it mandatory to install side airbags and curtain airbags in addition to the existing driver and front passenger airbags. We expect demand to double in terms of both quantity and quality, and we will expand our R&D and production systems as well as strengthen our marketing efforts by taking regional characteristics into account.

#### Soundness

In order not to miss out on growth opportunities, we will ensure that we have the sufficient funds and the fund-raising capacity to respond flexibly to any investment opportunities. While there has been no change in our emphasis on soundness in terms of cash on hand, the global cash situation has been inefficient, with both cash and debt being used. With the adoption of Group financing, the head office has taken the initiative in streamlining and equalizing funds, and after reviewing the situation, cash on hand was set at one month's worth of consolidated sales volume.

#### Efficiency

The most significant point for improvement on the financial aspect of the 2025 Business Plan was, in the disproportionate emphasis placed on the P/L, a lack of B/S-conscious management and not enough consideration of asset and capital efficiency. Based on our recognition of these issues, one of our policies is to promote efficient business operations with a renewed awareness of the cost of capital. First, we have named it TG-ROIC, and we will pursue returns commensurate with our resources, such as non-current assets and inventories in each business and region, while promoting efficiency. We will set a target of 20% for TG-ROIC on a consolidated basis to achieve 10% in ROE by 2030, and set targets for each business and region to improve our business portfolio. For shareholder returns, we will meet investors' expectations by increasing dividends stably and continuously, flexibly repurchasing shares, and being more conscious than ever about improving capital efficiency. In addition, we will strive to reduce the cost of shareholders' equity by proactively disclosing information, including non-financial information, and diversifying our shareholder composition, especially by increasing the number of individual shareholders.

#### Cash Allocation

Assuming that we will achieve the 2030 management targets, we estimate that the operating cash flow to be generated from now until 2030 will be approximately 650 billion yen. At the same time, we will streamline our operations by reducing cross-shareholdings and other measures.

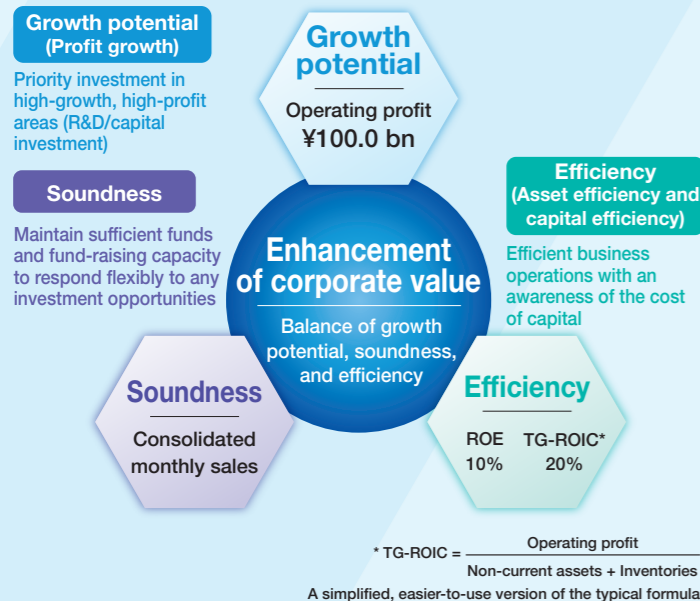
First, we will invest 350 billion yen in capital investments, mainly in our priority businesses and regions. We will make capital investments in a balanced manner using TG-ROIC as a metric. For shareholder returns, as I explained earlier, we will secure 100 billion yen as a source of funds for stable and continuous dividend increases.

With the remaining 250 billion yen in cash, we intend to make additional investments in highly profitable projects, as well as in discontinuous growth areas such as M&A and alliances, depending on the business environment and growth opportunities.

In the absence of such investments, we will strategically allocate the cash to be used for additional shareholder returns from the perspective of improving capital efficiency.

#### To Our Stakeholders

Until now, we have grown by responding to the demands and expectations of our customers, the automobile manufacturers. However, we have entered an era in which we cannot survive on this basis alone, and we strongly recognize that we must formulate our own issues and clarify our goals before proceeding with our business. We will strive to combine economic value in areas that contribute to the social values of safety, comfort, and decarbonization. We will disclose more information than ever before to you on how we conduct our business and contribute to society, and I hope that you will look forward to the future of the Toyota Gosei Group.



FY2030 management targets	Revenue	Operating profit	Operating profit ratio	ROE
	¥1,200.0 bn	¥100.0 bn	8%	10%

#### Cash allocation (Total from FY2023 to FY2030)

