



Toyoda Gosei Co., Ltd.

Sustainable & Positive Impact

Finance Framework

October 2023



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1. To Begin

Under the company creed of “Boundless Creativity and Social Contribution,” which shares the spirit of our commitment to sustainability, Toyoda Gosei Co., Ltd. (hereinafter, “Toyoda Gosei” or the “Company”) takes on the mission of fulfilling society’s needs with the leading-edge technologies and products we have cultivated and continue to develop in the area of rubber and plastic polymers and contributing to a sustainable environment and society. To accomplish this mission, we work together with stakeholders who share our vision to resolve environmental and social issues through business activities and create a more abundant global environment for the future.

We have newly introduced our Sustainable & Positive Impact Finance Framework (hereinafter, the “Framework”) to help realize this vision. We will issue bonds and execute borrowings through this framework to secure financing, aiming for the realization of a sustainable future and sustainable growth.

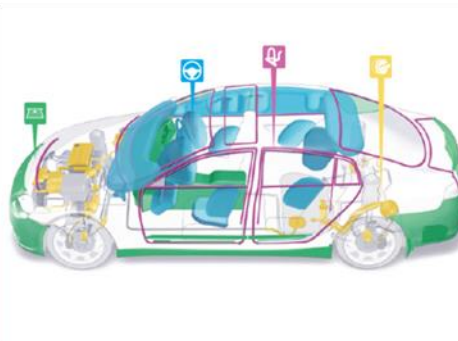
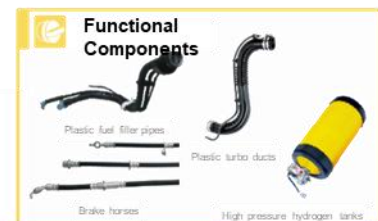
2. Issuer Overview

Toyoda Gosei’s history starts with its establishment as Nagoya Rubber Co., Ltd., a spin-off of the rubber research division of Toyota Motor Co., Ltd. in 1949. Afterwards, in 1973, we changed our name to Toyoda Gosei Co., Ltd. We used the word “Gosei,” which means “synthesis” in Japanese, to represent our corporate philosophy of creating new things.

Under the company creed of “Boundless Creativity and Social Contribution,” we have provided high performance and high quality products and services over more than 70 years while working with various stakeholders in the areas of development and design, procurement, production, and sales, leveraging our platform in synthetic rubbers, synthetic plastics, and compounding technology.

Under the slogan of “ONE TEAM, ONE TG,” our group has, and will continue to bring together 62 group companies employing around 40k employees in 16 countries and regions across the globe to give shape to peace of mind and safety, comfort, and decarbonization to enrich mobility and life for customers worldwide.

▶ Key products



▶ World firsts



SRS curtain airbags



Blue LEDs



Millimeter wave compatible emblems



Lightweight Opening trims



Plastic fuel Filler pipes

3. Company Creed / Management Philosophy

Company Creed: Boundless Creativity and Social Contribution

Our creed was based on “Always be studious and creative, striving to stay ahead of the time,” one of the Five Main Principles of Toyoda, as well as our valued areas of creativity, sociality, and science.

(Five Main Principles of Toyoda)

A written statement of the teachings of Toyota Group founder Sakichi Toyoda, which lives on as the basis for the current Toyota Group’s creed and corporate motto.

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.

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

We believe that by sharing this TG Spirit, we can come together as one team regardless of differences in nationality, gender, age, and lifestyle.

<p>1 Customer Oriented</p> <p>Think from the customer’s perspective How can we help customers get what they want?</p>	<p>2 Challenge</p> <p>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.</p>	<p>3 Ownership</p> <p>Be responsible and proactive Each and every TG employee is encouraged to feel a sense of ownership for the products that leave our doors.</p>
<p>4 Continuous Kaizen</p> <p>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.</p>	<p>5 Respect</p> <p>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.</p>	<p>6 Teamwork</p> <p>Help each other, grow as a team We will combine our strengths within teams, between divisions, and between Toyota Gosei Group companies to make One TG a reality.</p>





4. Initiatives for Sustainability
4-1. Basic Approach to Sustainability Activities

Toyota Gosei’s corporate creed of “Boundless Creativity and Social Contribution” was formulated based on the Five Main Principles of Toyoda, and has been passed down from generation to generation as the basis of Toyota Gosei’s management.

This thinking is also seen in our sustainability concept of “contributing to resolving environmental and social issues through our business activities.”

To continue as a company that is trusted and valued by stakeholders and society, we will pursue management that integrates key sustainability issues with our medium- and long-term business plan, aiming for the sustainable development of society and sustainable growth of Toyota Gosei in line with the changes of the times.

■Key examples of products that contribute to resolving environmental and social challenges

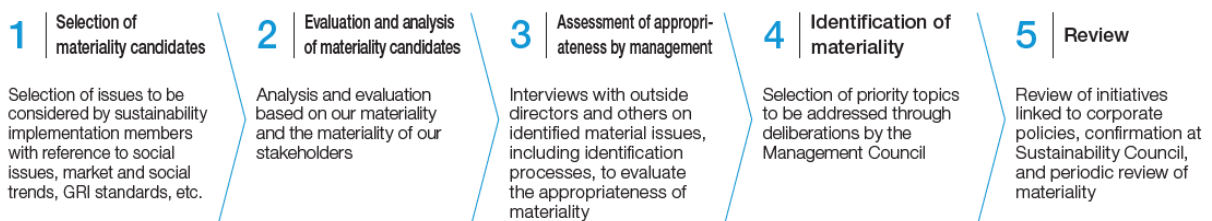
 <p>UV-C light units LED products (disinfection devices)</p> <p>The application of energy-saving LED technology also contributes to hygiene by disinfecting air and surfaces and purifying water</p>	 <p>UV-C high-speed surface disinfectors</p>	 <p>Safety Systems (air bags, more) Contributes globally to decreasing the number of traffic fatalities</p>	 <p>FCEV product (hydrogen tank) Contributing to a “hydrogen society” for carbon neutrality and reduced environmental impacts</p>
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■Key Sustainability Issues (Materiality)













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 the vision for the company and delivered values stated in our 2030 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 informed by social forecasts and the United Nations Sustainable Development Goals (SDGs), and considering the changing business environment.

Materiality Identification Process



Materiality (Key Sustainability Issues)

	Key Sustainability Issues (Materiality)	Main Initiatives (Social Issues/Opportunities and Risks to be Addressed)	KPIs and Medium- to Long-term Targets (FY2030)	Relevant SDGs Most Important Areas
	<ul style="list-style-type: none"> Responding to the transformation of the automobiles Reducing traffic fatalities for realizing a safe, secure, and comfortable mobility society 	<ul style="list-style-type: none"> Development of new products for BEVs P.26 Expanding sales to BEV leading markets and OEMs P.25 Development and sales expansion of airbag products to deliver safety and comfort to all P.27 P.48 	<ul style="list-style-type: none"> BEV-related share of revenue: 40% Target Setting Formula BEV production volume/Car production volume * Based on S&P Global Information Airbag production volume: +1.5 fold increase (compared to FY2022) 	 Achieving a safer, more secure, and more comfortable mobility society
	<ul style="list-style-type: none"> Creating new businesses utilizing core technologies 	<ul style="list-style-type: none"> Expanding new businesses by leveraging experience in new business development P.34 Deployment of corporate venture capital (CVC) P.37 Realization of smart factories (double productivity) P.38 	<ul style="list-style-type: none"> Based on cash allocation (Allocating funds mainly for R&D, human resources, and strategic investments with the aim of expanding fields that contribute to safety, comfort, and decarbonization) 	 Solving social issues by creating innovations
	<ul style="list-style-type: none"> Creating a decarbonized society by reducing CO₂ emissions and greenhouse gas emissions Creating a recycling-oriented society through waste reduction and water risk reduction 	<ul style="list-style-type: none"> Creating environmentally-friendly businesses by leveraging our knowledge in the rubber and plastics fields P.29 P.33 Globally integrated operations to achieve carbon neutrality P.54 Contribution to a recycling-oriented society (Car to Car recycling) P.58 	<ul style="list-style-type: none"> Scopes 1 and 2: Carbon neutral Waste volume (total) [non-consolidated]: -50% (compared to FY2012) Scope 3: -27.5% (compared to FY2019) Waste volume (unit) [overseas]: -55% (compared to FY2015) Renewable energy adoption rate: 100% 	   Realization of a decarbonized, recycling-oriented society
	<ul style="list-style-type: none"> Living together with local communities Use of diverse human resources and respect for human rights 	<ul style="list-style-type: none"> Initiatives rooted in local communities (local self-reliant management, Center of Excellence) P.42 Diversity & inclusion P.62 Safety and health management P.68 Strengthening quality and supply chain to support sustainability management P.65 Responding to geopolitical and economic risks P.62 	<ul style="list-style-type: none"> Percentage of employees receiving training on human rights: 100% Employee engagement affirmation rate [non-consolidated]: 75% Ratio of local executives (vice presidents and above) at overseas locations: 60% or more Number (ratio) of female managers [non-consolidated]: 100 (8.8%) Ratio of mid-career hires in management positions [non-consolidated]: 30% or more Number of serious accidents: 0 Percentage of suppliers implementing sustainability activities: 100% 	  Sustainable growth through diverse workforce
	<ul style="list-style-type: none"> Corporate governance as a company with integrity Ensuring compliance 	<ul style="list-style-type: none"> Strengthening of BCP resilience P.64 Enhancing of internal controls P.70 	<ul style="list-style-type: none"> Number of major legal violations: 0 Major cyber security incidents: 0 	 Fair and transparent corporate governance system

Source: [Toyota Gosei Report 2023](#)

Relationship with SDGs

When selecting candidates for materiality issues, we refer to social issues, market and social trends, GRI Standards, SDGs, and materiality of competitors.

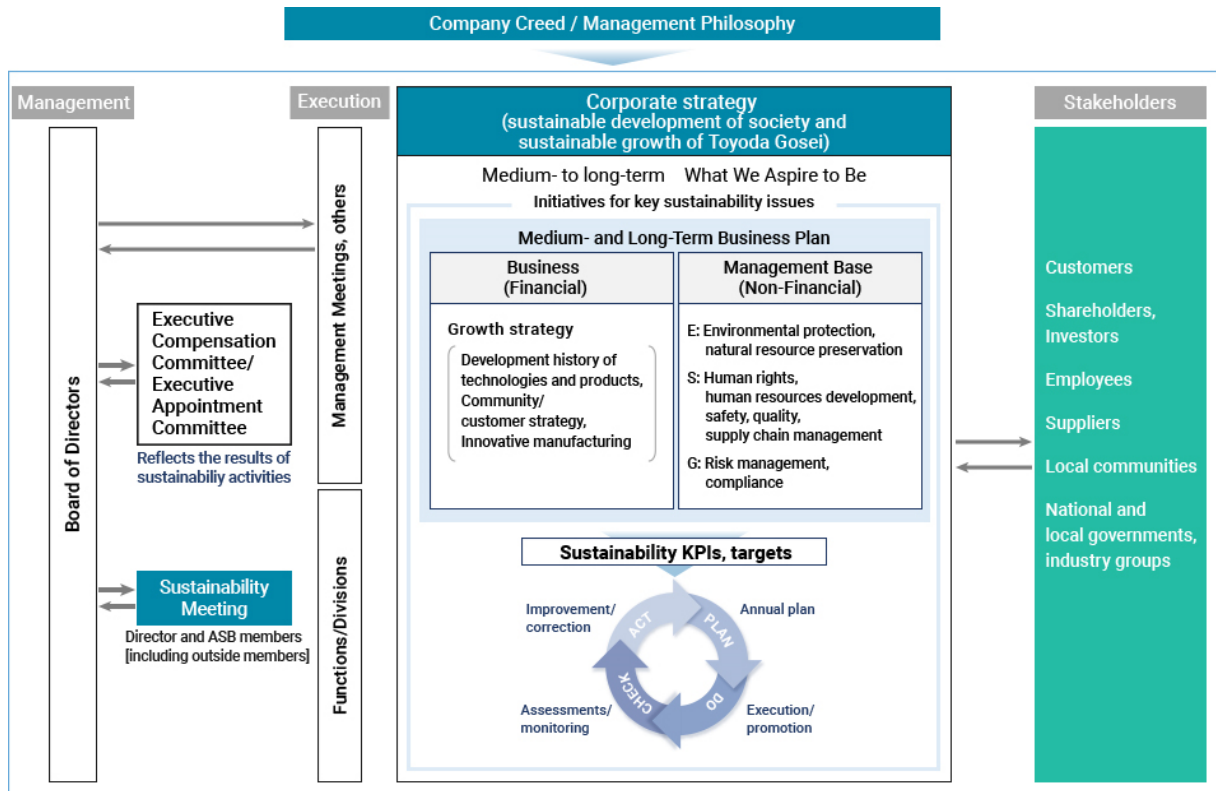
These candidates are analyzed and evaluated on the axes of importance for Toyoda Gosei (management philosophy, management resources, synergy with competitive advantages / strengths) and importance for stakeholders (contribution to social issues, promotion of ESG activities, etc.), and matters to adopt are identified after appraisal of their appropriateness based on the opinions of outside officers and other members of management, as well as investors.

Based on this process, the most important SDGs areas relating to the Company's materiality are clarified, reflected in the setting of sustainability KPIs and targets relating to environmental and social issues as well as global corporate policies aimed at their achievement, and acted on by close to 40k employees in 62 companies across 16 countries and regions as "ONE TEAM, ONE TG."

4-2. Sustainability Management Framework

Promotion System

We have built a management system to further efforts for the sustainable development of society and sustainable growth of Toyoda Gosei through business activities based on our corporate creed and management philosophy. Emphasis is placed on continual dialog with all of our stakeholders, establishment of KPIs and targets to achieve our medium-term business plan, and implementing the PDCA cycle.



■ Sustainability Meeting (Governance and Risk Management)

In November 2021, Toyoda Gosei established the Sustainability Meeting composed of all Directors and Audit & Supervisory Board Members (including outside Directors and Audit & Supervisory Board Members), and Headquarters' Chiefs, and chaired by the President, to pursue balanced initiatives with high objectivity and transparency. (Held twice a year in principle)

The agenda of the Sustainability Meeting includes resolutions on KPIs and targets, confirmation of their achievement / progress, understanding of changes in the external environment, and risks and opportunities related to ESG.

(Outline of Sustainability Meetings)

Purpose	To discuss and decide key action items for sustainability and confirm progress
Frequency	Generally meets twice yearly
Chairperson	President
Members	All Directors and Audit & Supervisory Board Members (including outside Directors and Audit & Supervisory Board Members), and Headquarters' Chiefs
Main agenda	<ul style="list-style-type: none">• Make decisions on key action items related to sustainability• Report status of progress toward key action items and target values• Make decisions on important external disclosure items

■ KPIs / Targets

Medium- to long-term KPIs and targets related to environmental and social issues and the sustainable growth of Toyoda Gosei are set based on materiality (key sustainability issues), and their achievement is promoted through an annual PDCA cycle.

4-3. Key Initiatives Relating to Environmental and Social Issues

*Refer to the [website](#) for details

■ Initiatives for the environment

The Toyoda Gosei Group formulated its 1st Environmental Action Plan in 1993 based on its environmental policy, and since that time has been actively engaging in 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 5-year action plans, which set activity items and targets, and are carrying out activities to protect the environment.

Globally, we have placed integrated environmental functions in the regions of the Americas, China, ASEAN, 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. We are also pursuing efforts 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 departments, domestic and international affiliates, and

suppliers, conducts all business activities with concern for the environment in cooperation and coordination with customers, government authorities, and others.

2. Good corporate citizenship

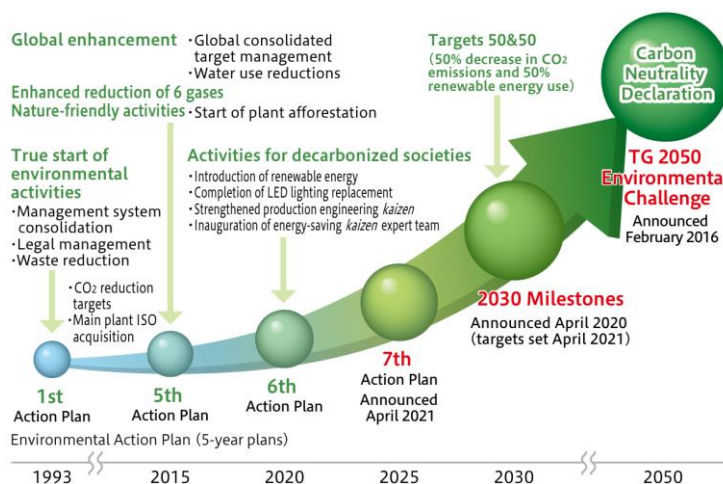
As a good corporate citizen, we participate in, support, and cooperate with environmental activities by many groups while also working on environmental activities in the community and broader society. We also provide education for all employees to support them in becoming involved in environmental activities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

3. While publicizing 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 – A Greener, Richer World for Our Children

The Toyota 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, the TG 2050 Environmental Challenge sets six challenges to strengthen our environmental efforts with a long-term view to the year 2050. As a roadmap to achieve that, we strengthened our efforts relating to climate change in August 2023, bringing forward our target year for achieving carbon neutrality (Scope 1 and 2) to 2030 from 2050 and have formulated five-year Environmental Action Plans to guide our efforts.

TG 2050 Environmental Challenge (Six Medium- and long-term scenario for achieving the targets of the TG Challenges) 2050 Environmental Challenge

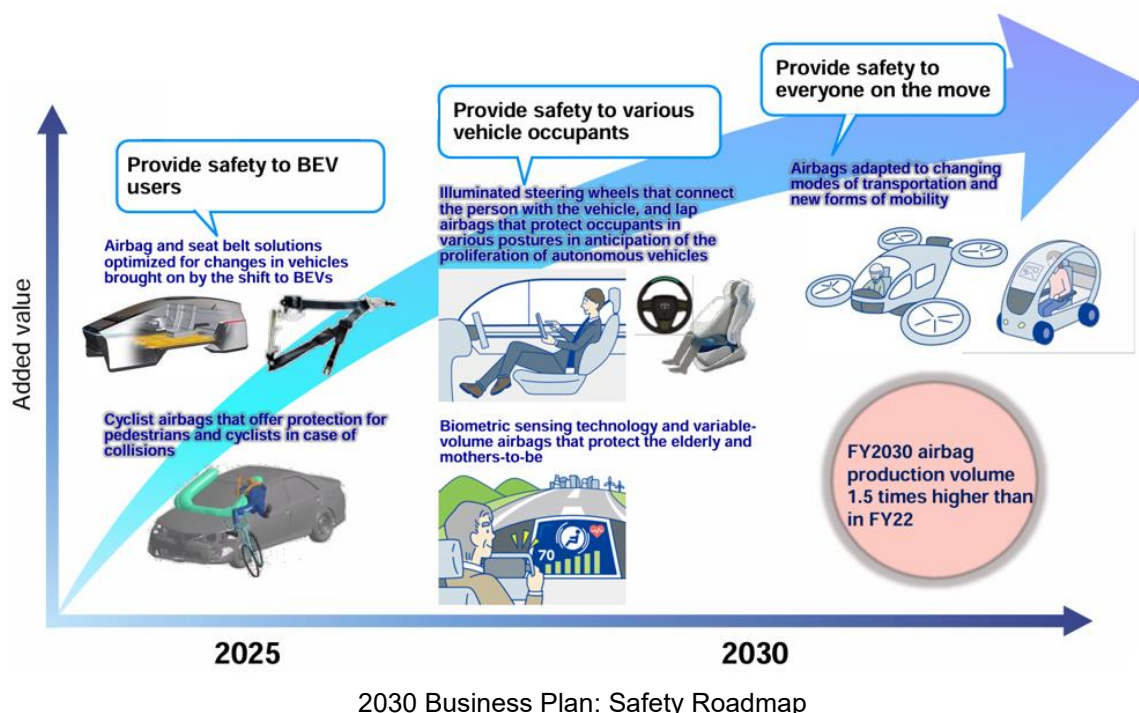


■ Toward the Realization of a Mobility Society to Protect People’s Lives

In 1989, Toyota Gosei began mass production of driver-side airbags, followed by the development of curtain airbags in 1998, driver-side knee airbags in 2002, rear-collision airbags in 2008, and back seat center airbags in 2009, realizing 360-degree airbag coverage, protecting even the sides of occupants and those in the back seats in the event of a collision. Furthermore, the Company developed pop-up hood actuators in 2012 and pedestrian protection airbags in 2021,

protecting pedestrians in addition to passengers. It is also actively developing next-generation technologies such as active safety.

While progress is being made in vehicle safety, traffic fatalities are increasing in regions which lack airbags and other safety devices due to increased use of automobiles but a delay in the implementation of traffic infrastructure. Furthermore, traffic fatalities have not been eliminated in developed countries, with global fatalities remaining at around 1.35m people per year. We will contribute to the realization of a safe mobility society through the pursuit of higher performance safety devices, and their delivery in many regions.



■Invigoration of People and Organizations (Corporate Culture and Talent to Implement the 2030 Business Plan)

Toyota Gosei understands that embracing change without fear of failure and seizing/creating change by taking on challenges are vital for implementing the 2030 Business Plan, so it is launching initiatives in the areas of corporate culture and talent development.

For corporate culture, we aim to transition to a dynamic polymer-like organization. We will draw out the individuality, vitality, and strengths of each individual and generate creativity and energy through organic bonding. By then creating similar reactions between teams, groups, divisions, and group companies and strengthening our connections to partner companies, suppliers, clients, customers, and other parties, we will generate even higher creativity and productivity. We can customize our structure to flexibly adapt to environmental changes and create new value. This is our vision for a “polymer-like” organization. To form the basis for this corporate culture, we will support employee wellbeing through self-fulfillment made possible by the establishment of safe spaces, a stageupon which each person can shine, and attention on developing each individual.

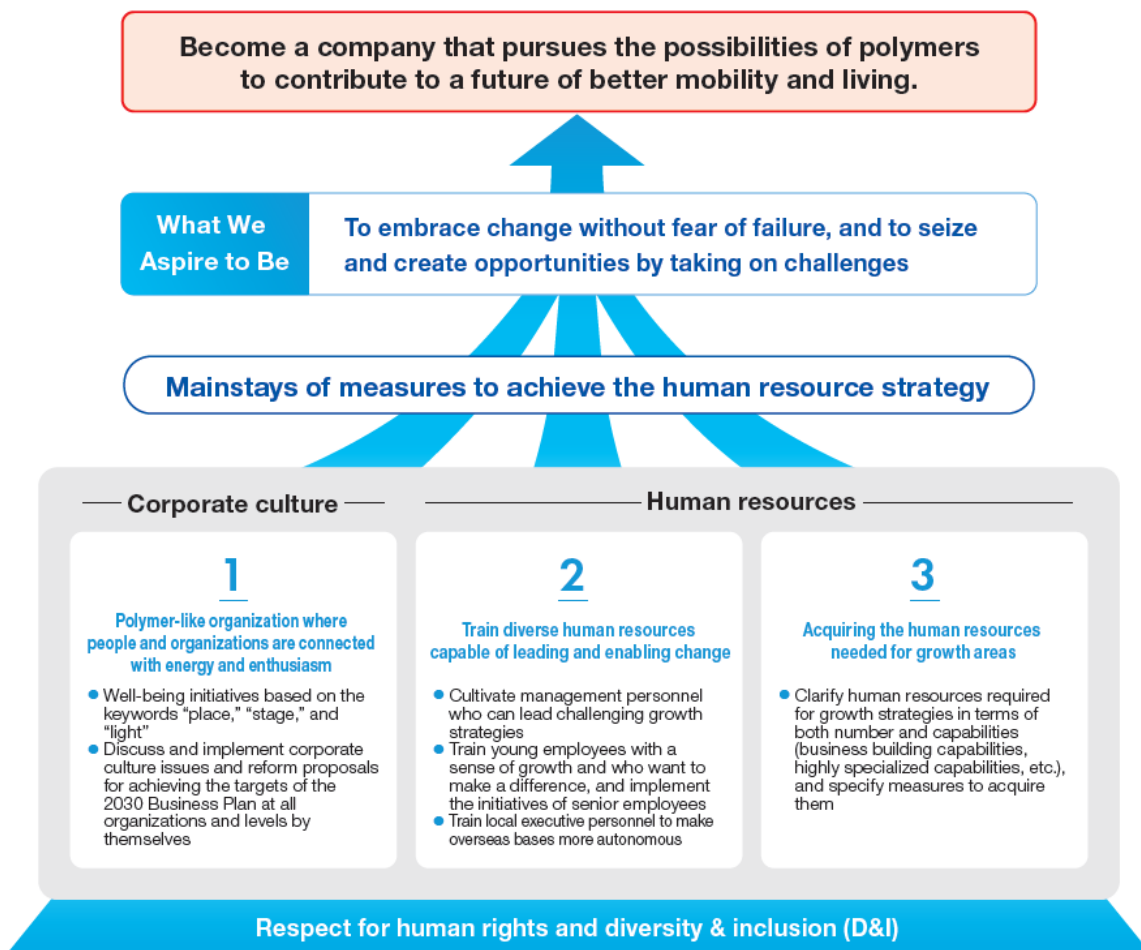
At the same time, we will aim to develop talent capable of questioning our value to society and the significance of TG, and executing business strategically. To accomplish this, we will pursue efforts such as securing diverse talent and reviewing our business portfolio.



(Aiming for a talent strategy aligned with business plans)

Toyota Gosei positions “Promote diversification in employment / respect human rights” as a materiality item (key issue), and has set “promoting development of human resources,” “active participation of a diverse workforce,” and “creation of a pleasant corporate culture” as pillars of our talent development strategy. We are also pursuing initiatives to promote problem-solving methods and the PDCA cycle as a basis for work, the provision of opportunities to learn specialized knowledge on technology, materials, and other matters, creation of workplaces where people with diverse values, including women and the disabled, can shine, and efforts to improve engagement, in which the Company’s vision aligns with employees’ fulfillment through work and a real sense of growth.

However, Toyota Gosei’s talent strategy was reviewed in light of human capital management, which is increasingly seen as a significant contributor to enterprise value, and our previous personnel strategy was found to be based on a recognition of issues from the perspective of conventional HR functions (see the next page for details). In FY2023, we are enhancing the alignment with management strategy, and based on a new strategy, promoting new initiatives in addition to existing efforts.



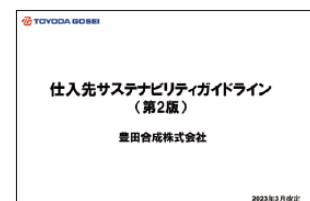
■ Initiatives for sustainability over the entire supply chain

Toyota Gosei has created the Supplier Sustainability Guidelines (Version 2) to promote understanding, implementation, and practices for sustainability among suppliers.

These Guidelines stipulate items relating to human rights and labor, environment, compliance, and more, requiring compliance in environmental aspects (e.g. water use, biodiversity) in addition to social aspects (e.g. child labor, forced labor, discrimination, equal opportunities, reduction of long working hours, and minimum wages).

In relation to the environment, the Green Procurement Guidelines demand reduction of CO₂, recycling of waste and resource circularity, and control of chemical substances. Furthermore, as a measure against conflict minerals, the Guidelines demand responsible resource and material procurement by suppliers as well as annual surveys relating to conflict minerals with the cooperation of suppliers.

As described above, we are taking the necessary measures for sustainable growth across the supply chain, in line with the changing social situation.



4-4. Corporate Governance

(1) Basic philosophy

Under a management philosophy embodying our company creed, we aim to be a global company trusted by all stakeholders, including society, shareholders, customers, suppliers, and employees, capable of responding quickly and flexibly to significant environmental changes, and providing peace of mind, safety, and comfort to customers around the world.

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.

(2) Corporate governance system

(a) Overview of the corporate governance system, and reason for its implementation

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 eight 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, with follow-up reports and discussions, etc. as needed to ensure the appropriate execution of management strategy from diverse perspectives. In recent years, discussions have grown more active, seeking to enhance the internal control and risk management systems and achieve sustainable growth in the midst of a chaotic business environment marked by geopolitical unrest, worsening environmental issues, a pandemic, and more.

A system of corporate officers is used to speed up decision-making and business execution. In addition, a chief officer system was introduced in June 2023, delegating a portion of the President's authority and responsibilities to enable global management of key functions across business units and regions, and speed up management to realize strategic business operation. 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. Furthermore, a company-wide Sustainability Meeting (convened twice per year) was established in FY2021 to accelerate efforts toward sustainability, composed of all Directors and Audit & Supervisory Board Members (including outside Directors and Audit & Supervisory Board Members), chief officers and Headquarters' Chiefs, and chaired by the President.

The Audit & Supervisory Board consists of five members 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. Together with the auditing functions of accounting auditors, who are external auditors, they ensure 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, each comprising a majority of outside directors, including the chairperson.

(2) Status of the internal control system and risk management system

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, monitor execution of operations, 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

Toyoda Gosei has also set up an Internal Control Committee (hereinafter, the "Committee") chaired by the President to establish business ethics, ensure compliance, and mitigate risk.

In terms of business ethics and compliance, the Committee seeks to ensure legal compliance and establish business ethics in all business activities. In addition, the Toyoda Gosei Group Charter for Business Ethics, a shared guideline for compliance, has been instituted as a code of conduct for employees and for Toyoda Gosei to fulfil its corporate social responsibility, and by expanding it throughout the group, the Company is focused on promoting sincere business activities.

Furthermore, we have set up an internal compliance desk where employees can report illicit activities and violations of business ethics, and an external compliance desk where legal counsel can be reached, establishing a framework for prompt response to problems in order to improve the company's ability to resolve compliance issues.

The Committee also acts as part of a risk management framework, identifying key risks, formulating countermeasures, and more. Risk management in individual areas such as safety, quality, and environment, is conducted appropriately based on rules and guidelines formulated by the department in charge, with their operation status evaluated as needed. Toyoda Gosei has also formulated a Crisis Management Guide compiling basic matters relating to risks in areas such as safety, quality, and environment, and stating preventative measures for anticipated risks as well as measures for appropriate and quick responses in the case that a risk manifests.

In addition to business ethics, compliance, and risk management, the Committee checks the status of internal audits and promotes efforts to prevent illicit activity and risk.

■ Principal risk management activities

(1) PLAN

First, each division of Toyota Gosei, as well as group companies, identify and visualize risks surrounding the Toyota Gosei Group based on legal amendments and changes in the business environment (risk assessment). Next, hearings are held with officers, etc. to identify risks from management and future-oriented perspectives. Following these processes, key risks for the group are identified based on their likelihood, degree of impact, and other aspects.

Finally, countermeasures to key risks are formulated by the responsible divisions to reduce likelihood and impact.

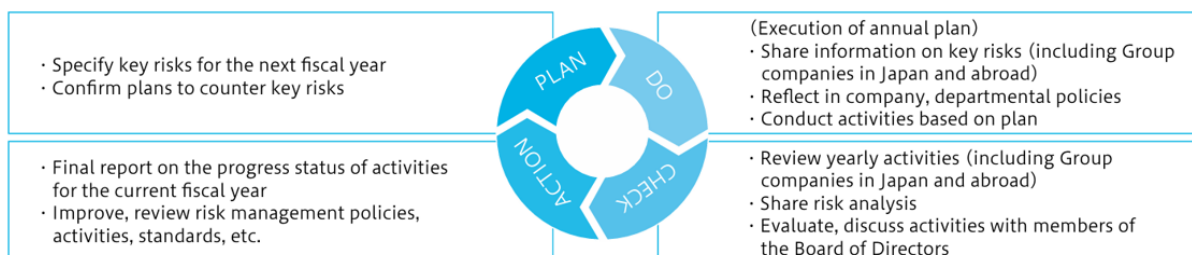
(2) DO, (3) CHECK

The responsible divisions execute countermeasures, confirm the status, and report to the Committee.

(4) ACTION

Depending on the status of countermeasures, activities are improved, revisions made, and more effective countermeasures employed.

Principal risk management activities



5. Sustainable & Positive Impact Finance Framework

The Sustainable & Positive Impact Finance Framework (hereinafter, the “Framework”) defines the following four principles pursuant to the UNEP FI “Principles for Positive Impact Finance (PIF)” (2017), International Capital Market Association (ICMA) “Green Bond Principles (GBP)” (2021), “Social Bond Principles (SBP)” (2021), and “Sustainability Bond Guidelines (SBG)” (2021), Ministry of the Environment “Green Bond Guidelines” (2022), Financial Services Agency “Social Bond Guidelines” (2021), and “Green Loan Principles” (2023) and “Social Loan Principles” (2023) as stipulated by Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA).

1. Definition
2. Frameworks
3. Assessment
4. Transparency

Below is a comparison of a Sustainable Financing Framework pursuant to ICMA principles, and the Framework.

Sustainable Financing Framework pursuant to ICMA principles	The Framework, aligned with ICMA and PIF principles
	1. Definition <ul style="list-style-type: none"> ■ Intended positive contribution ■ Relationship with SDGs ■ Definition of output, outcome, and impact
1. Uses of financed funds <ul style="list-style-type: none"> ■ Target projects ■ Eligibility of projects contributing to designated environmental targets or resolution of social issues ■ Target persons for social projects ■ New investments / refinancing (including lookback period) 	2. Frameworks <ul style="list-style-type: none"> ■ Definition of Sustainable & Positive Impact Finance ■ Uses of funds by category ■ Comprehensive analysis by Impact Radar and Life-cycle Assessment (LCA) ■ Method for selecting eligible projects for Sustainable & Positive Impact Financing ■ Method for fund management
2. Project appraisal and selection process <ul style="list-style-type: none"> ■ Internal project selection flow ■ Involvement of management and ESG-related departments ■ Response to negative impact 	
3. Control of financing <ul style="list-style-type: none"> ■ Method and responsible parties for fund management ■ Frequency of management operations ■ Management of un-allocated funds 	
4. Reporting <ul style="list-style-type: none"> ■ Frequency and location of disclosures ■ Status of fund allocation ■ Expected impact 	3. Assessment <ul style="list-style-type: none"> ■ Assessment indices (KPIs) to measure positive impact by use of funds
	4. Transparency <ul style="list-style-type: none"> ■ Disclosure of reporting ■ Disclosure of second party opinion ■ Disclosure of framework documents and future updates ■ Location of disclosures

5-1. Definition

Principles for Positive Impact Finance 1: Definition

Positive Impact Finance is that which serves to finance Positive Impact Business. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs).

■ Positive contribution

Based on our creed of “Boundless Creativity and Social Contribution” we aim to achieve growth through the resolution of social issues and attain a balance between social value and economic value. To accomplish this, we have stipulated an appropriate governance framework, based upon which we aim to resolve global issues shown in SDGs and take actions in the area of ESG (environment, social, governance), proactively meeting the expectations of all our global stakeholders, from customers, shareholders, and investors to employees, suppliers, local communities, and more.

In our “2030 Business Plan” medium to long-term management plan, we stipulated “Safety” to realize a mobility society protecting people’s lives, “Comfort” for spaces meeting diverse value, and “Decarbonization” to leave a richer world for the future as social values based on the vision of “Pursuing the possibilities of polymers, we will contribute to a future of better mobility and living” The relationship between the vision and delivered values stipulated in the medium to long-term management plan and materiality items is as follows.

Delivered value	Safety	Comfort	Decarbonization
Materiality (Business activities)	Respond to the transformation of automobiles		
	Achieve a safer and more comfortable mobility society by reducing the number of traffic fatalities		Contribute to decarbonized societies by reducing emissions of CO ₂ and other greenhouse gases
			Contribute to circular societies by reducing waste and water risks
	Create new businesses that utilize core technologies		
Materiality (Management base)	Coexist with local communities		
	Promote diversification in employment / Respect human rights		
	Corporate governance as a company of integrity		
	Thorough compliance		

2030 Business Plan: Relationship between delivered value and materiality items

As stated later, we believe that promoting initiatives for specific materiality items results in managing the positive and negative impacts on the three SDGs pillars (economy, society, and environment). When formulating the Framework, we used the Impact Radar (for details, refer to the Appendix at the end of the document), the holistic impact analysis tool provided by UNEP FI, to confirm whether the impact of business activities on the three SDGs areas in the promotion of initiatives for our materiality items would be positive or negative. The Framework uses this impact analysis in the process for selecting projects in which to allocate funds, in the aim of managing intended impact (materiality management).

■ Relationship with SDGs

In our process of identifying materiality items, we choose candidates based on social issues, market/social trends, GRI standards, SDGs, materiality items of other companies, and more. *For details, refer to page 5

■ Definition of output, outcome, and impact

Toyoda Gosei plans to draft annual impact reports until the redemption of sustainable & impact finance, and disclose them on its website and within integrated reports.

The five-step process, logic model, shows the logical cause and effect relationship of input --> activity (business model) --> output --> outcome --> impact, and is known as one tool to evaluate impact. In addition to a model framework in line with the PIF principles, according to the UN “SDG Compass” and WBCSD “Measuring Socio-economic Impact Guide for Business,” the further downstream in the logic model, the more difficult it becomes to gather accurate data, so if it is difficult to collect accurate data on impact, output and outcome are accepted and encouraged as alternative indicators. Thus, we define output, outcome, and impact as follows when drafting impact reports.

Output	Outcome	Impact
The product, service, or the direct of activity	The direct impact of the product, service, or activity on stakeholders	The short, medium, and long-term impact of the product, service, or activity on society, the environment, or the economy

Outcome and output will be used as alternative indicators in impact reports when it would be difficult to measure or quantify impact. In this event, the relationship between output, outcome, and impact will be clearly stated.

5-2. Frameworks

Principles for Positive Impact Finance 2: Frameworks

To promote the delivery of Positive Impact Finance, entities (financial or non financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, programmes, and/or entities to be financed or invested in.

■ Definition of sustainable & positive impact finance

Sustainable & positive impact finance is defined as the corporate bonds issued and loans executed in line with the Framework.

An amount equivalent to the total financing pursuant to the Framework will be allocated to new or existing eligible projects. In the case of allocation to existing projects, targets are projects launched during the 24-month period before the financing, and which will start within 36 months of the financing date or which have had eligibility confirmed.

■ Uses of funds by category

Sustainable & positive impact financing can be executed depending on the category of the allocate project. Projects will be designated as eligible for sustainable & positive impact finance after a holistic consideration of Toyoda Gosei's efforts to reduce negative impacts and expand positive impacts with regards to its materiality items. In addition, the following labels can be applied in the case that the project belongs to a relevant category as per the ICMA's Green Bond Principles / Social Bond Principles / Sustainability Bond Guidelines or other guidelines.

- Social finance:

If financed funds are allocated solely to eligible projects categorized as eligible social projects

- Green finance:

If financed funds are allocated solely to eligible projects categorized as eligible green projects

- Sustainable finance:

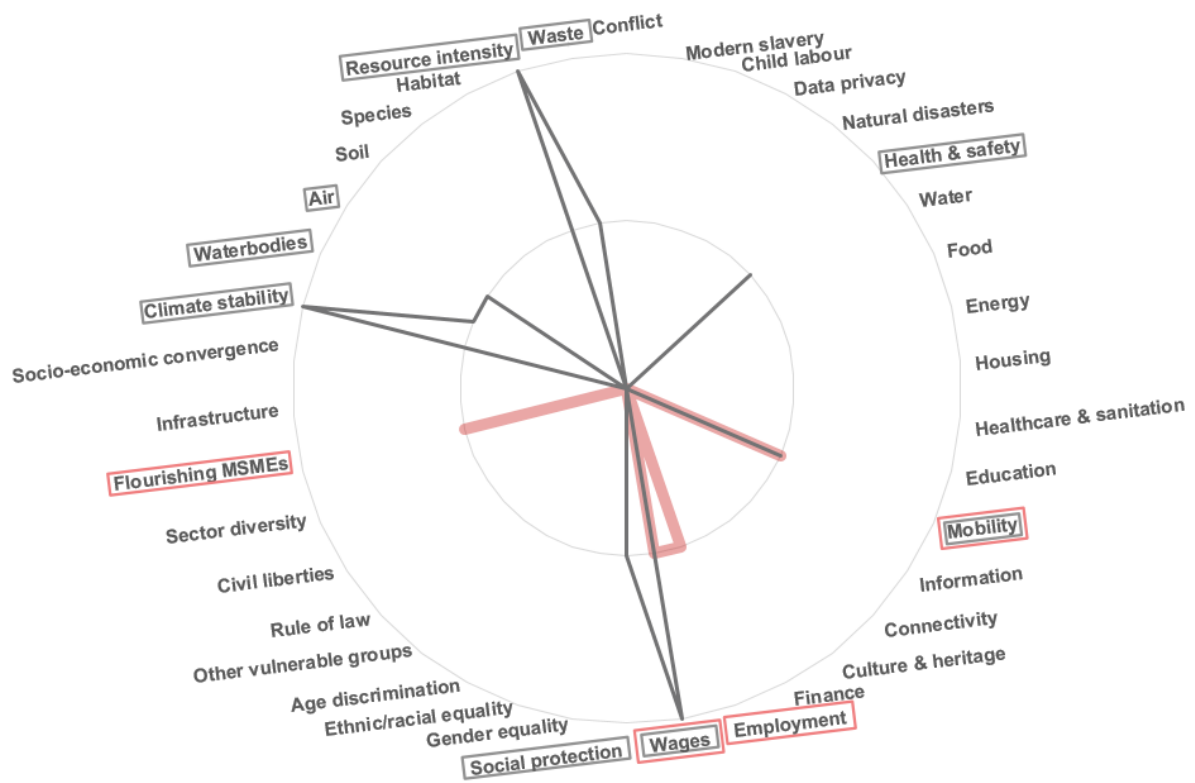
If financed funds are allocated to eligible projects categorized as both eligible social projects and eligible green projects

■ Holistic approach by Impact Radar and Life-cycle Assessment (LCA)

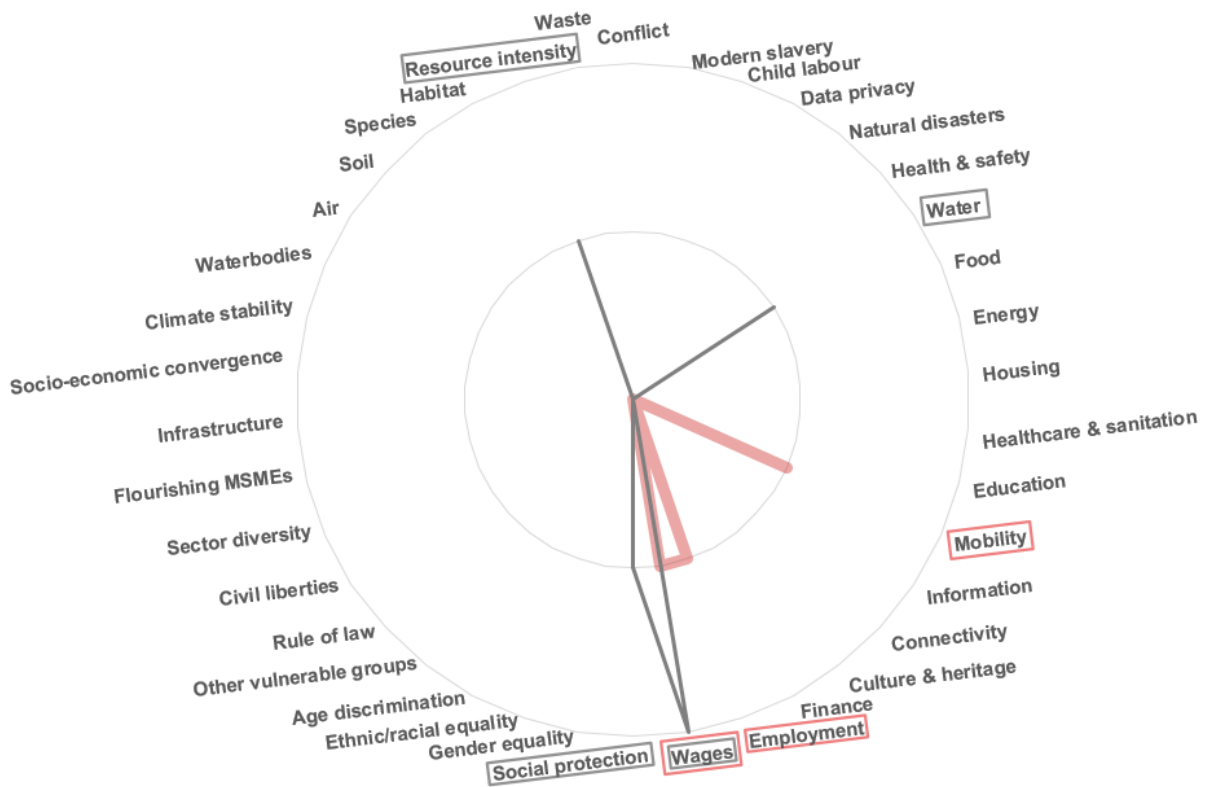
UNEP FI, based on International Standard Industrial Classification (ISIC), analyzes issues, etc. in each industry. It illustrates how each industry is expected to impact the 12 "impact areas" and 34 "impact topics" of the Impact Radar, showing expected positive and negative impacts. By promoting initiatives related to specific materiality items, we will appropriately manage positive and negative impacts.

This time, in the selection of target projects based on a holistic analysis of our initiatives, we used the Impact Radar results for ICE vehicles (upper table on the next page) and electric vehicles (lower table on the next page) of the automobile component manufacturing industry in which Toyoda Gosei is operating.

In light of the significant transformation occurring in the automotive industry, "Respond to the transformation of automobiles" has been identified as one of the materiality items. We are accelerating a shift in supply from ICE to electric vehicle components leading up to 2030, and the Impact Radar confirmed that electrification would appropriately manage the negative impacts to "Climate stability", "Air", and "Health & safety" stemming from GHG emissions (contribution to decarbonization). Furthermore, safety devices are an issue in responding to the "Transformation of automobiles," and we are working to develop high performance safety devices and next-generation safety technology as stated in "4.3 Key Initiatives to Resolve Environmental and Social Issues." Initiatives for the materiality item of "achieve a safer and more comfortable mobility society by reducing the number of traffic fatalities" is important for expanding the positive impact ("Safety", "Comfort") on "Mobility" in the Impact Radar.



Impact Radar for manufacturing of ICE components and peripheral products



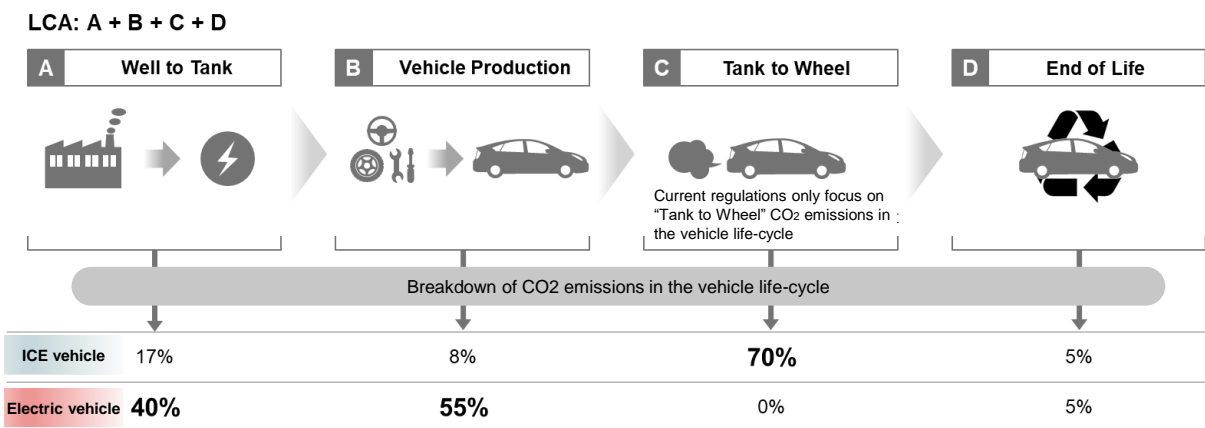
Impact Radar for manufacturing of EV components and peripheral products

The transition from ICE to electric vehicles will entail a structural transformation of the automobile industry, and our materiality item of “respond to the transformation of automobiles” may sometimes create a negative effect. For example, the positive impact of “Flourishing MSMEs” on the Impact Radar for ICE components and accessories is not present in that for EV components and accessories. We will counter this negative impact in a new form with our materiality item of “Create new businesses that utilize core technologies” and work to create new value by utilizing connections with players in the supply chain expanding with electrification. Currently, efforts to resolve environmental issues such as climate change and biodiversity have gained recognition as “Just Transition,” a concept of aiming for transition to a sustainable society that is fair and equal for all stakeholders, but in addition to Just Transition, our efforts are aiming to create new value.

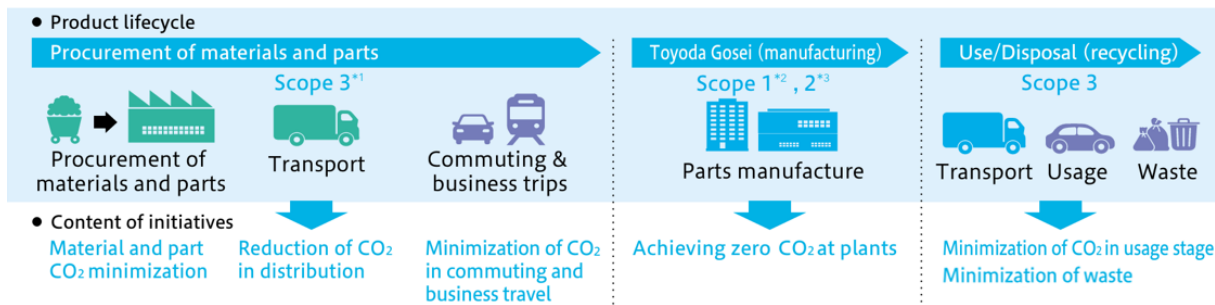
Based on this impact analysis, the Framework focuses on funding projects related to “Respond to the transformation of automobiles,” “Achieve a safer and more comfortable mobility society by reducing the number of traffic fatalities,” and “Create new businesses that utilize core technologies”. Through this approach, we can explicitly communicate to investors the intended impacts (such as "Safety", "Comfort" and "Decarbonization") outlined in our 2030 Business Plan and our sustainability strategy.

In holistic impact analysis, it is necessary to take an approach that involves extracting and identifying impacts by overviewing the value chain. When considering the perspective of life-cycle assessment (LCA), greenhouse gas emissions in the Tank to Wheel stage account for around 70% of the value for the overall ICE vehicle life-cycle, so we believe that electrification is an effective short and medium term solution for mobility that does not emit greenhouse gases during driving.

However, Vehicle Production accounts for around 60% of greenhouse gas emissions in the electric vehicle life-cycle, so for these vehicles, the method of manufacturing will be subject to heightened scrutiny.



ICE and electric vehicle life-cycle CO₂ emissions (source: Nomura Securities)





Efforts to reduce CO₂ emissions across the value chain (source: Toyota Gosei)


Since we believe that decarbonization in manufacturing and reduction of environmental load are key to significantly reducing negative impact over the entire life-cycle, our materiality items include “Contribute to decarbonized societies by reducing emissions of CO₂ and other greenhouse gases” and “Contribute to circular societies by reducing waste and water risks.” Refer to our [website](#) for details on our environmental initiatives such as reduction of environmental load across the value chain, creation of a circular society, and environmental management including supply chains, relating to these materiality items.


Furthermore, in order to promote materiality initiatives, it is essential to enhance the foundation of management through human resource development and the advancement of corporate governance. For this reason, the Framework includes projects related to “Coexist with local communities,” “Promote diversification in employment / Respect human rights,” “Corporate governance as a company of integrity,” and “Thorough compliance” as eligible targets.


In this way, we pursue both social and economic value through a process of selecting and promoting projects related to 5 materiality items for business activities to create the three delivered values of “Safety”, “Comfort”, and “Decarbonization”, and the 4 materiality items for the management base to support these business activities, based on the holistic approach that considers the Impact Radar and the supply chain.


Materiality: Respond to the transformation of automobiles									
Related impact areas and topics	Most crucial fields in SDGs								
Reduction of negative impacts: Health and safety, climate stability, water, air Expansion of positive impacts: mobility									
ICMA business category									
Green finance > clean transportation									
Eligibility criteria and business examples									
<p>[Eligibility criteria] R&D of products for zero emission vehicles (BEVs/FCEVs), R&D of products and parts required for the wider use for zero emission vehicles (BEVs/FCEVs), and expenditures for capital investments in manufacturing such products</p> <p>[Business examples]</p> <table border="0"> <tr> <td>✓ Cooling pipes for BEVs</td> <td>✓ Interior/exterior products unique to BEVs</td> </tr> <tr> <td>✓ Battery packs in different shapes</td> <td>✓ Introduction and construction of development facilities/locations for products for BEVs/FCEVs</td> </tr> <tr> <td>✓ Charge port door</td> <td></td> </tr> <tr> <td>✓ Hydrogen tanks</td> <td></td> </tr> </table>		✓ Cooling pipes for BEVs	✓ Interior/exterior products unique to BEVs	✓ Battery packs in different shapes	✓ Introduction and construction of development facilities/locations for products for BEVs/FCEVs	✓ Charge port door		✓ Hydrogen tanks	
✓ Cooling pipes for BEVs	✓ Interior/exterior products unique to BEVs								
✓ Battery packs in different shapes	✓ Introduction and construction of development facilities/locations for products for BEVs/FCEVs								
✓ Charge port door									
✓ Hydrogen tanks									


Materiality: Achieve a safer and more comfortable mobility society by reducing the number of traffic fatalities													
Related impact areas and topics	Most crucial fields in SDGs												
Expansion of positive impacts: mobility													
ICMA business category													
Social finance > affordable basic infrastructure													
Eligibility criteria and business examples													
<p>[Eligibility criteria] R&D of safety system products that protect drivers and passengers and pedestrians in the event of traffic accidents, with the ultimate aim of zero fatalities; R&D of preventive safety systems to improve safety level of vehicles; expenditures for various types of capex for manufacturing</p> <p>[Business examples]</p> <table border="0"> <tr> <td>✓ Airbags for drivers and passengers</td> <td>✓ Millimeter wave radar compatible BEV front panels</td> </tr> <tr> <td>✓ Airbags for pedestrians and cyclists</td> <td>✓ Millimeter wave radar compatible emblem/grill</td> </tr> <tr> <td>✓ Safety jackets for scooters</td> <td>✓ Introduction and construction of facilities and plants for the development of safety systems in regions where road safety initiatives are recognized as a social issue and public and private measures are taken</td> </tr> <tr> <td>✓ Pop up engine hood actuator</td> <td></td> </tr> <tr> <td>✓ Wrap airbag (safety belt comprises an integrated airbag)</td> <td></td> </tr> <tr> <td>✓ Steering wheel with grip sensors</td> <td></td> </tr> </table> <p>[Target population] Drivers, passengers, pedestrians and more (all people including vulnerable road users such as the elderly, pregnant women, children, and people with physical disabilities)</p>		✓ Airbags for drivers and passengers	✓ Millimeter wave radar compatible BEV front panels	✓ Airbags for pedestrians and cyclists	✓ Millimeter wave radar compatible emblem/grill	✓ Safety jackets for scooters	✓ Introduction and construction of facilities and plants for the development of safety systems in regions where road safety initiatives are recognized as a social issue and public and private measures are taken	✓ Pop up engine hood actuator		✓ Wrap airbag (safety belt comprises an integrated airbag)		✓ Steering wheel with grip sensors	
✓ Airbags for drivers and passengers	✓ Millimeter wave radar compatible BEV front panels												
✓ Airbags for pedestrians and cyclists	✓ Millimeter wave radar compatible emblem/grill												
✓ Safety jackets for scooters	✓ Introduction and construction of facilities and plants for the development of safety systems in regions where road safety initiatives are recognized as a social issue and public and private measures are taken												
✓ Pop up engine hood actuator													
✓ Wrap airbag (safety belt comprises an integrated airbag)													
✓ Steering wheel with grip sensors													

Materiality: Contribute to a decarbonized society by reducing emissions of CO2 and greenhouse gases	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: health and safety, atmospheric stability, air, resource intensity	
ICMA business category	
Green finance > environmental efficiency, circular economy adapted products, production technologies and processes Green finance > renewable energy	
Eligibility criteria and business examples	
<p>[Eligibility criteria] Development of materials and process innovations to reduce CO2 emissions and waste throughout the life cycle of products, technologies to realize 100% recycling, R&D of products, and expenditures for various related capital investments</p> <p>[Business examples]</p> <ul style="list-style-type: none"> ✓ Development and use of recycled/biomass materials to shift materials from petroleum-derived to naturally derived ones ✓ Development of energy-saving technologies for painting, printing, and surface engineering ✓ Development of waste recycling technologies (end-of-life vehicles (ELVs), etc.) ✓ Recycling of rubber materials through desulfurization and regeneration ✓ Establishment of renewable energy facilities (for solar, wind power, etc.) ✓ Introduction of facilities to enable effective use of renewable energy ✓ Purchase of electricity produced by renewable energy sources ✓ Purchase of environmental value 	

Materiality: Contribute to a circular society by reducing waste and water risks	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: water, waterbodies, waste	
ICMA business category	
Green finance > prevention and control of water contamination Green finance > sustainable water resources and wastewater management	
Eligibility criteria and business examples	
<p>[Eligibility criteria] Expenditures to realize a circular society by effectively utilizing limited resources with the aim of minimizing emissions and water risks</p> <p>[Business examples]</p> <ul style="list-style-type: none"> ✓ Measures to prevent defects and improve yields at manufacturing sites ✓ Reduction of emissions and recycling of materials with the support of the material/production engineering divisions, where all of the company's work starts ✓ Waste reduction through careful and thorough waste segregation ✓ Development and introduction of facilities in all countries and regions where the company operates, to manage water risks 	

Materiality: Create new businesses that utilize core technologies	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: wages Expansion of positive impacts: thriving micro-, small and medium-sized companies, employment, wages	
ICMA business category	
Social finance> socioeconomic advancement and empowerment	
Eligibility criteria and business examples	
<p>[Eligibility criteria] Financing and investment in companies engaged in activities and initiatives to bridge the gap between the extension of existing businesses and new businesses that bring sustainable growth, aiming to realize the continued prosperity of existing supply chains and the creation of new value as the industrial structure of the automotive sector undergoes transformative change</p> <p>[Business examples] <ul style="list-style-type: none"> ✓ Investment in areas not limited to auto parts, for example in startups in fields such as healthcare and energy, for earlier commercialization of products/services delivering new value for society ✓ Investment in companies that are engaged in areas highly synergistic with our core technologies (automotive technologies including resin, rubber, air bags, and hydrogen tanks, as well as GaN semiconductors used in blue LEDs and other applications) </p> <p>[Target population] Consumers who benefit from our creation of new value, including at existing supply chain partners and startups</p>	

Materiality: Coexist with local communities, promote diversification in employment and respect for human rights	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: wages, social protection Expansion of positive impacts: employment, wages	 
ICMA business category	
Social finance> socioeconomic advancement and empowerment	
Eligibility criteria and business examples	
<p>[Eligibility criteria] Investments and related expenses to nurture workplaces where employees can demonstrate their abilities, aiming to promote active participation of a diverse workforce</p> <p>[Business examples] <ul style="list-style-type: none"> ✓ Appointment of local executives at our overseas operations ✓ Ensuring safe and pleasant workplace environments for people with disabilities ✓ Empowerment of women ✓ Continuing roles for senior employees ✓ Training costs relating to skill development of relevant employees </p> <p>[Target population] Overseas executive candidates, people with disabilities, women, the elderly, and employees in various types of minority groups</p>	

Materiality: Corporate governance as a company of integrity, thorough compliance	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: social protection Expansion of positive impacts: employment, wages	
Eligibility criteria and business examples	
<p>[Eligibility criteria] Expenditures related to thorough compliance by our group employees to conduct business activities appropriately, maintaining high ethical standards</p> <p>[Business examples] ✓ Expenditures related to establish, operate and manage consultation desks for compliance matters globally ✓ Expenditures for holding training for compliance matters and internal control</p> <p>[Target population] All employees working in our group</p>	

■ Process for selecting eligible projects in accordance with the Principles for Positive Impact Financing

The Finance & Accounting Division will select the projects to be funded from the proceeds of this Sustainable & Positive Impact Finance, based on their contribution to the three values of safety, comfort, and decarbonization, and considering their compliance with eligibility criteria. Final approval of candidate projects will be determined in consideration of consistency with the company's management philosophy and basic philosophy on sustainability, based on the approval process established by the company.

For all eligible candidate projects, we will confirm that the following measures are taken to reduce environmental and social risks.

- Compliance with environment-related laws and regulations as required by the national or local governments where projects are located, and implementation of environmental impact surveys as required
- Full explanation to local communities prior to launch of projects
- Ensuring safety of projects in accordance with our safety management system
- Procurement of materials, prevention of environmental pollution, and efforts for improved work environments and observance of human rights in accordance with our basic philosophy and policies for environmental conservation activities and policies on procurement, etc.

■ Management of proceeds

The Finance & Accounting Division intends to allocate to eligible projects and manage the proceeds of the Sustainable & Positive Impact Finance. The Finance & Accounting Division will use an internal accounting system to track and manage the proceeds of green, social and sustainable finance under this Framework on a quarterly basis until redemption so that an amount equivalent to the proceeds is allocated to eligible projects. The internal accounting system will track and manage the status of allocation for each eligible project.

Until the proceeds of Sustainable & Positive Impact Finance are allocated to eligible projects, or if there are not enough eligible projects, the non-allocated proceeds will be invested in cash or cash equivalents, with a plan to complete allocation within about two years from financing.

5-3. Assessment

Principles for Positive Impact Finance, Principle 4: Assessment

The assessment of Positive Impact Finance delivered by entities (financial or non-financial) should be based on the actual impacts achieved.

■ KPIs to measure positive impacts of use of proceeds

The company will work to disclose its progress in achieving the intended positive impacts with the relevant KPIs for the following items relating to the social and environmental impacts of eligible projects:

We believe that global environmental conservation is very important. Regarding environmental impact, we will disclose not only KPIs relating to reduction of environmental impact for each eligible project, but also overall KPIs of the issuer, such as GHG emissions in its entire supply chain (Scope1, 2, 3), as KPIs for our comprehensive efforts toward a decarbonized society. However, some KPIs may be set within the extent of disclosable information due to confidentiality or secrecy considerations.

For social finance projects, we will categorize our products, services, etc. according to definitions of output, outcome, and impact as described in "5-1. Definitions." Outcomes and outputs will be used as alternative indicators in impact reports where it is difficult to measure or quantify impact. In this event, the relationships between output, outcome, and impact will be clearly stated.


Initiatives to develop human capital constitute an important theme for our sustainable growth, and we intend to leverage the different values and new perspectives of people from diverse backgrounds to bring growth and enhanced value to the company. We believe that we can achieve sustainability as a company through demographic diversity—by employing people without discrimination, regardless of natural attributes such as gender, nationality, race, and disability—and through cognitive diversity—recognizing diversity in ways of thinking and values—and creating an environment where everyone can play an active role and deliver new value to society. In our effort to achieve diversity and inclusion in the ICMA category of social finance, we have clearly defined


“achievement of cognitive diversity” as an outcome we want to achieve in the process of working toward our medium- to long-term goal of “achieving a society in which all people can accept each other’s diversity and live as who they are in an atmosphere of inclusivity,” and have set initiatives and outputs to achieve this cognitive diversity.


Other reporting items relating to social finance projects are also being considered based on the defined frameworks for output, outcome, and impact.


For borrowings, we will set target KPIs appropriate to the assessment criteria for monitoring achievement that we announced at the time of financing.


Items to measure environmental impacts across the entire supply chain of Toyoda Gosei Group
✓ CO2 emissions across Toyoda Gosei Group (Scope 1, 2, 3)



Materiality: Respond to the transformation of automobiles	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: health and safety, atmospheric stability, water, and air Expansion of positive impacts: mobility	
ICMA business category	
Green finance > clean transportation	
Examples of reporting items	
<ul style="list-style-type: none"> ✓ Outline of technologies and products ✓ Sales ratio of BEV-related products* <p><small>*Sales ratio of BEV-related products = Sales of BEV automotive parts ÷ total sales</small></p>	<ul style="list-style-type: none"> ✓ R&D: <ul style="list-style-type: none"> ➢ Outline of research and development programs and their progress ➢ Outline of R&D target projects and explanation of the projected effects (intended usage, products, etc.)


Materiality: Achieve a safer and more comfortable mobility society by reducing the number of traffic fatalities		
Related impact areas and topics		Most crucial fields in SDGs
Expansion of positive impacts: mobility		
ICMA business category		
Social finance > affordable basic infrastructure		
Examples of reporting items		
Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> ✓ Outline of safety system-related products ✓ R&D: outline of research and development programs ✓ Number of airbags manufactured 	<ul style="list-style-type: none"> ✓ Creation of opportunities to avoid fatal accidents (measured by number of airbags manufactured) ✓ R&D: progress of research and development programs and the projected effects 	<ul style="list-style-type: none"> ✓ Achievement of a safe and sound automobile society

Materiality: Contribute to a decarbonized society by reducing emissions of CO2 and greenhouse gases	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: health and safety, atmospheric stability, air, resource intensity	
ICMA business category	
Green finance > environmental efficiency, circular economy adapted products, production technologies and processes Green finance > renewable energy	
Examples of reporting items	
<ul style="list-style-type: none"> ✓ The technologies, facilities, processes, and products introduced and their effects ✓ The reduction of CO2 emissions brought about by the introduction of technologies, facilities, processes, and products ✓ Ratio of renewable electricity used (incl. green energy and green certificates) 	<ul style="list-style-type: none"> ✓ R&D: <ul style="list-style-type: none"> ➢ Outline of research and development programs and their progress ➢ Outline of R&D target projects and explanation of the projected effects (intended usage, products, etc.)

Materiality: Contribute to a circular society by reducing waste and water risks	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: water, waterbodies, waste	
ICMA business category	
Green finance > prevention and control of water contamination Green finance > sustainable water resources and wastewater management	
Examples of reporting items	
<ul style="list-style-type: none"> ✓ Outline of facilities introduced and initiatives taken and their effects ✓ The amount of waste reduced ✓ The amount of water used and water used per unit of sales 	

Materiality: Create new businesses that utilize core technologies		
Related impact areas and topics		Most crucial fields in SDGs
Reduction of negative impacts: wages Expansion of positive impacts: thriving micro-, small and medium-sized companies, employment, wages		
ICMA business category		
Social finance > socioeconomic advancement and empowerment		
Examples of reporting items		
Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> ✓ Investment amount (fund size) ✓ Corporate venture capital (CVC) initiatives 	<ul style="list-style-type: none"> ✓ Number of entrepreneurs who have benefitted from investments ✓ Status of services achieved through investments (mobility, healthcare, smart homes, energy) 	<ul style="list-style-type: none"> ✓ Innovations brought into the world (number of businesses successfully commercialized) ✓ Benefits brought about by innovation

Materiality: Coexist with local communities, promote diversification in employment and respect for human rights		
Related impact areas and topics		Most crucial fields in SDGs
Reduction of negative impacts: wages, social protection Expansion of positive impacts: employment, wages		 
ICMA business category		
Social finance > socioeconomic advancement and empowerment		
Examples of reporting items		
Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> ✓ Number of people with disabilities employed ✓ Proportion of women in managerial positions ✓ Implementation status of development programs for female employees ✓ Implementation status of development programs for senior employees ✓ Ratio of local executives* <p><i>*Local executives = Vice president or higher position in overseas group companies</i></p>	<ul style="list-style-type: none"> ✓ Initiatives to achieve cognitive diversity in the workplace (HR strategies) 	<ul style="list-style-type: none"> ✓ Realization of a society where all people recognize each other's diverse characteristics and the potential of their individuality

Materiality: Corporate governance and compliance as a company of integrity	
Related impact areas and topics	Most crucial fields in SDGs
Reduction of negative impacts: social protection Expansion of positive impacts: employment, wages	
Examples of reporting items	
Outputs	Outcome/impact
<ul style="list-style-type: none"> ✓ Status of initiatives to enhance help desks for compliance matters ✓ Status of initiatives for training on compliance matters and internal control 	<ul style="list-style-type: none"> ✓ Achieve zero serious violations of laws and regulations

5-4. Transparency

Principles for Positive Impact Financing, Principle 3: Transparency

Entities (financial or non-financial) providing Positive Impact Finance should provide transparency and disclosure on:

- *The activities, projects, programs, and/or entities financed considered Positive Impact, and the intended positive impacts thereof (as per 5-1);*
- *The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per 5-2);*
- *The impacts achieved (as per 5-3)*

■ Reporting

We will report on the company website the allocation status to eligible projects and the social and environmental impacts brought about by eligible projects annually until the redemption or full repayment of financed proceeds. If financed by loans, we also have an option to report directly to the providers of the loans and other related parties. We plan to make the first report within one year from implementation of the Sustainable & Positive Impact Finance

[Information to be reported]

- Total amount allocated to eligible projects from the proceeds of financing
- The balance of allocated proceeds and unallocated proceeds by category of eligible business
- Ratio of new financing and refinancing
- KPIs to measure positive impacts
- If there is a significant change in the funding situation after allocation of the proceeds, we will disclose items related to allocation of proceeds in a timely manner

■ Reporting of second party opinions

We obtain second party opinions (“SPOs”) on the credibility of this Framework in terms of environmental and social impact and compliance with the following principles and guidelines from Rating and Investment Information, Inc. (R&I) and disclose them on the company website:

- “Principles for Positive Impact Finance (PIF)”
- International Capital Market Association (ICMA) “Green Bond Principles”
- ICMA “Social Bond Principles”
- ICMA “Sustainability Bond Guidelines”
- Ministry of the Environment “Green Bond Guidelines”
- Financial Services Agency “Social Bond Guidelines”
- “Green Loan Principles” as stipulated by Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA)
- “Social Loan Principles” as stipulated by LMA, APLMA, and LSTA

■ **Publication of the Framework and future updates**

The Sustainable & Positive Impact Finance Framework is available on our company website. If we change the scope of application for the Framework, we will provide details in the latest Sustainable & Positive Impact Finance Framework and also announce them on the company website.

■ **Disclosures**

All disclosures in accordance with article 5-4 of the Framework are available on the company website.

Appendix. Impact Radar

In light of the importance of comprehensive impact analysis to gauge the sustainability of our company and society, we use the Impact Radar to select target eligible projects for funding under the Framework. In 2017, the Principles for Positive Impact Finance were developed by the UN Environment Program (UNEP) and the UNEP Finance Initiative (UNEP FI), a broad coalition of over 200 financial institutions working closely in an effort to fill the financing gaps for achievement of the sustainable development goals, aiming to promote business models and investments with greater social and environmentally positive impacts. The PIF Principles are applicable across all categories of financial instruments, including loans, bonds, equity, and mezzanine, in order to create business opportunities and business models focusing on SDGs. In 2018, the year following formulation of the PIF Principles, UNEP FI started to offer the Impact Radar as a resource to comprehensively assess the level of contribution (impact) toward the Sustainable Development Goals (SDGs). (Revised in July 2022)

The Impact Radar shown in the figure below is a compilation of 12 impact areas and 34 impact topics across the three pillars of the SDGs: social (impact on individuals), environmental (impacts on the natural environment), and economic (impacts on societies and economies). The Impact Radar is a foundation resource in UNEP FI’s Holistic Impact Analysis Tools, which enables companies to consider and identify the positive and negative impacts of their business and initiatives on the SDGs.



Source: Ministry of the Environment, UNEP FI revised version of the Impact Radar