

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.

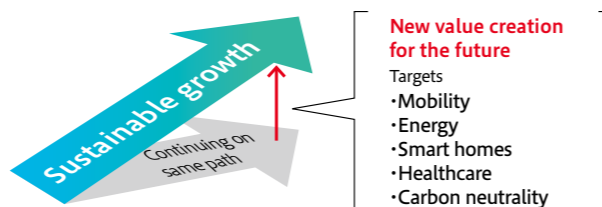
Currently, there is a gap between following the same path and sustainable growth. We believe that activities to bridge this gap are what will lead to new value creation for the future. Two things are needed for this. One is how well we are able to utilize external forces, such as start-ups. The other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

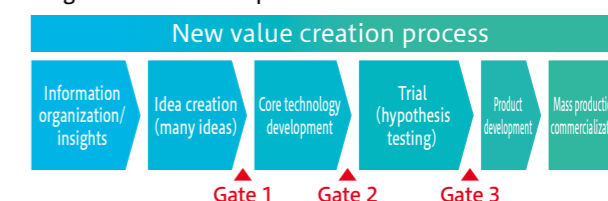
For the more effective use of internal capabilities, we established a new organization called the New Value Creation Division in January 2022. It was formed to promote activities that create new value from within the company, rather than simply depending on external organizations through CVC.

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