

Supply Chain Management

We aim to enhance our connections with suppliers and work together as one to achieve mutual sustainable growth.

Shuji Watanabe

Chief of Purchasing Headquarters



Supply Chain Management

Basic Procurement Policy

The Toyoda Gosei Group has set a Basic Procurement Policy based on the concept of coexistence and co-prosperity with our suppliers. We aim to deepen our

partnerships with suppliers while achieving sustainable growth for both of us.

1. Globally Optimized Procurement

We procure the optimum raw materials, products, and equipment fairly from a global perspective, taking into consideration cost, quality, technology, and production. We also welcome proposals from suppliers for new technologies and manufacturing methods, and new products.

2. Mutual Development Based on Mutual Trust

We aim to enhance the collective strength of the Toyoda Gosei Group based on open and fair relationships with our suppliers, mutually enhancing our corporate structures, innovating our management, and building relationships of mutual trust.

3. Efforts for a Sustainable Society

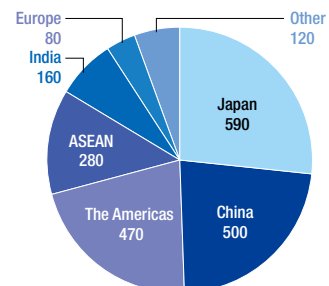
Toyoda Gosei has set activity norms as guidelines for initiatives that should be made for the SDGs and other social issues, and shared them with suppliers in carrying out activities. We also aim to ensure complete legal compliance and confidentiality in corporate operations, including our supply chain.

Our Supply Chain

Toyoda Gosei directly conducts transactions with approximately 600 suppliers, and globally, including overseas locations, the number exceeds 2,000 suppliers.

In our global business operations, we consider all aspects of SQDC (Safety, Quality, Delivery, and Cost) and are working to enhance collaboration among procurement personnel in each region to further implement local procurement.

Number of Suppliers by Region



Enhancing Global Collaboration

To achieve the goals of our 2030 Business Plan, we have been working to enhance our global procurement collaboration system since FY2024. We aim to align procurement strategies across regions—Japan, the Americas, Europe, ASEAN, China, and India—with the strategies of each business division combined to enhance competitiveness.

Strategies formulated at top-level meetings, including local representatives, are further detailed through discussions at the operational level, which include on-site visits. These efforts are implemented using a PDCA cycle.

Moving forward, we will continue to implement region-specific collaboration methods to improve procurement functions, advance sustainability initiatives, and enhance partnerships with local suppliers.



Scene from the July 2024 meeting in Europe

Business with New Suppliers

We have an entry form on our website for open dialogue regarding new proposals and business dealings. In addition to SQDC assessments at the start of new business dealings, we also check the status of the other party's management activities based on their level of support for our sustainability guidelines and other

factors, to manage risks starting from our first transactions. At the same time, together with the signing of contracts and memorandums of understanding, we explain the various guidelines that Toyoda Gosei has developed and seek their understanding.

Sustainability Initiatives

■ Incorporating Sustainability Across the Supply Chain

Recognizing the growing expectations for corporate sustainability initiatives, we have developed and shared the Supplier Sustainability Guidelines (2nd Edition) with our suppliers to promote understanding and practical implementation.

To enhance awareness of potential risks and encourage early countermeasures, we provide self-check sheets for suppliers to conduct self-assessments. Moving forward, we will collaborate with suppliers to implement improvements based on the assessment results.

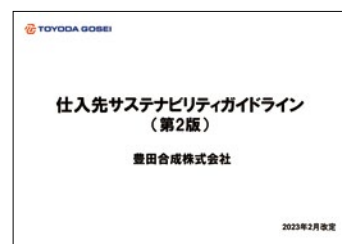
The Guidelines set policies related to human rights, labor, the environment, compliance, and other matters. In addition to social aspects (including eliminating child labor, forced labor, and discrimination, and ensuring equal opportunity, reductions in long working hours, and compliance with minimum wage laws), the Guidelines also require compliance with environmental aspects such as water use and biodiversity by suppliers.

With regard to the environment, our Green Procurement Guidelines require suppliers to reduce CO₂ emissions, recycle resources including waste, and manage chemical substances.

For conflict minerals, we ask suppliers to be responsible in their procurement of resources and raw materials, and once a year, we conduct a survey on conflict minerals with the cooperation of all suppliers.

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

We are also working in collaboration with all our locations to globally expand the Supplier Sustainability Guidelines by incorporating regional characteristics.



■ Implementing Carbon Neutrality Initiatives

To achieve the carbon neutrality goals in our 2030 Business Plan, we recognize the importance of reducing Scope 3 emissions, which account for 70% of our CO₂ emissions. In collaboration with 140 key suppliers of product components, equipment, and molds, we are actively engaging in initiatives to understand their current states and challenges while maintaining close communication. Specifically, to help each supplier formulate reduction themes, we share our Energy Saving Casebook, host study sessions at our Energy Saving Dojo, and lend out various measuring instruments. We are also supporting suppliers in developing roadmaps to achieve medium- to long-term goals, including a 27% reduction by FY2030 and net zero by FY2050.

As part of these efforts, we hold the Carbon Neutral Initiative Conference twice a year, where group discussions among suppliers facilitate information sharing and problem-solving. From FY2024, we have begun globally expanding Japan's initiatives, and we will continue working toward decarbonization across the entire supply chain.



Tour of the Energy Saving Dojo (over 400 visitors from 100 companies)



Group discussion during the Carbon Neutral Initiative Conference

Enhancing Supplier Collaboration

■ Enhancing Our Partnerships with Suppliers

Every April, we hold procurement policy briefings where we explain our management philosophy, the business environment and company policy to about 250 of our major suppliers in Japan. After sharing our initiatives, challenges, and targets related to SQDC, compliance, and sustainability, we hold regular discussions to confirm results and make improvements through anticipated value roundtables. In addition, starting in FY2019, we have designated December of each year as Supplier Month as an opportunity to express our gratitude and respect to our suppliers and to listen to their honest opinions with humility, and we aim to build better relationships with our suppliers by presenting them with letters of appreciation to express our gratitude for their daily efforts.

We also hold procurement liaison meetings every month, where we introduce case studies on initiatives such as fire prevention, disaster preparedness, compliance, and cybersecurity. In addition, we conduct seminars on carbon neutrality and other social issues. In FY2020, we established Management Troubleshooting Consultations for suppliers and other business operators. We receive candid inquiries from them on various management issues, including corporate management, finance, human resources, and legal matters. This is done in small groups, where we try to give advice on effective solutions. These support consultations have exceeded 200 sessions, gradually fostering natural connections among suppliers. By sharing challenges, a positive cycle of mutual learning and collaboration has emerged.

■ Support for Suppliers So That We Can Grow Together

To support our suppliers, we implement various initiatives from the perspective of SQDC. Particularly in terms of safety, we are implementing fire prevention inspections for production equipment such as painting systems and proactive prevention initiatives based on risk assessments. For quality and production, we are conducting on-site improvements through manufacturing innovation initiatives, all while linking these efforts to talent development support. We are implementing these initiatives in association with talent development support, such as transfer of our own skilled workers or accepting core personnel from our suppliers. In addition, we provide indirect support for the initiatives of the Kyowa-kai, which is organized by suppliers for the purpose of mutual learning and sharing of best practices. From 2022, the Winning (Value) Technology Exhibition has been hosted by the Kyowa-kai with the aim of enhancing the competitiveness of both parties by utilizing suppliers' accumulated knowledge. Companies

have shared ideas, resulting in significant improvements.

To further enhance collaboration and accelerate progress, in 2023, we also began to leverage the strengths of both parties by sharing information on our problems (needs) and the proposals (seeds) of the Kyowa-kai. At the FY2024 Winning Technology Exhibition, we showcased many collaborative achievements, including those involving multiple suppliers.



FY2024 Winning Technology Exhibition

■ Monitoring of Supplier Information

We request suppliers with whom we have ongoing transactions to submit a survey sheet covering management information at least once a year, and we strive to quickly resolve risks and solve problems by visiting and interviewing suppliers regarding major changes.

In addition, based on annual evaluation results, we conduct on-site audits once a year at suppliers that meet our selection criteria in areas such as quality and safety. These audits are aimed at driving improvements.

■ Ensuring Fair Transactions

In our Declaration of Partnership Building, we pledge to engage in discussions with suppliers regarding the appropriate pricing of labor and rising energy costs.

We proactively reach out to suppliers, working closely with them through repeated consultations to address and resolve challenges.