Materiality (Key Issues)

With "Boundless Creativity and Social Contribution" as our company creed, we aim to contribute to the realization of a sustainable society through our growth by achieving both social value and economic value.

In order to realize the vision for the Company and the delivered value set forth in the 2030 Business Plan, we have designated and worked on several key areas as "materiality" where we can make a particular contribution from among various social issues, such as social forecasts and SDGs, taking into consideration the changing business environment.

Materiality Identification Process

STEP 1 Selection of materiality candidates

Selection of issues to be considered (59 items) by sustainability implementation members with reference to social issues, market and social trends, GRI standards, SDGs, and the materiality of other companies etc.

STEP 2 Evaluation and analysis of materiality candidates

Analysis and evaluation based on our materiality (management philosophy, management capital, interaction with competitive advantages and strengths, etc.) and the materiality of our stakeholders (contribution to social issues, promotion of ESG activities, etc.)

STEP 3 Assessment of appropriateness by management

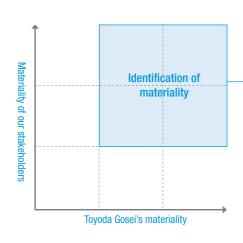
Interviews with outside directors, executives, and investors on identified material issues, including identification processes, to evaluate the appropriateness of materiality

STEP 4 Identification of materiality

Selection of priority topics to be addressed through deliberations by the Management Council

STEP 5 Review

Review of initiatives linked to corporate policies, confirmation at Sustainability Council, and periodic review of materiality



Social I	Issues/Megatrends	Opportunities and Risks		Time of occurrence Short-term Medium-term Long term			
			Strategic market entry of new technologies and products driven by BEV adoption (OEM and supply chain evolution)	• • •	↑ ↑	↓ ↓	
	Provide both	Expansion of CASE (BEV/FCEV) market	Expansion of BEV-leading markets and the rise of BEV-leading OEMs (shifts in market and power dynamics)	• • •	1	11	
	innovations in automotive		Increased demand for environmentally friendly HEVs and PHEVs	• • •	† †		
	technology (electrification and intelligence) and a		Expansion of FCEV market	•	↑ ↑↑		
	 Safer mobility society Changes in company competitiveness with accelerating digital/IT 		Advancement of technology for preventing traffic accidents	• • •	↑ ↑↑		
			Reduced demand for fuel system components	• •		11	
		Expansion of MaaS market	Changes in user values on vehicle and vehicle usage (development of transportation infrastructure, demand for a more comfortable cabin environment)	• •	11	11	
	transformation	Market changes	Automotive market expansion due to infrastructure improvements and laws and regulations in emerging countries	• • •	† ††		
		Accelerate adoption of digitalization, IoT, and DX	Optimization from production to delivery (real-time monitoring, predictive maintenance, automation, etc.)	• • •	† ††		
	 Increasingly serious problems in the global 	Environment and resources	Market expansion in new fields through green technology* and green transformation	• • •	111	11	
	environment		Change in competitiveness due to adoption of carbon pricing	• •	† ††	111	
	Business transformation due to		Full utilization of rubber and plastic materials and development of materials (recycled materials, lighter weight, material replacement, and new materials)	• • •	↑ ↑↑	11	
	climate change and resource shortages		Large-scale disasters due to extreme weather conditions	• • •	† †	111	
	(tightening of regulations)		Promotion of energy efficiency and renewable energy (reducing energy costs, GHG emissions)	• • •	† ††		
	Demographic changes	Human capital	DE&I promotion for diversification of thinking, skills, and experience	• • •	† ††		
	(declining birthrate and aging population)		Human resource portfolios for efficient use of human capital	• • •	111		
	Changing values and		Rising labor costs, hiring difficulties	• • •		11	
	diversifying work styles	Supply chain	Production impact, supply chain disruptions, and human casualties due to geopolitical risks, infectious diseases and disasters	• • •	† †	111	
	4		Shortages and rising costs of parts and raw materials, along with increasing logistics costs	• • •		111	
11/2	BCP risks		Serious quality issues and recalls	(•)(•)(•)	111	
	Rising geopolitical risks	Governance	Cyberattacks and scam emails	(•)(•)(•)	111	
	Thomy geopolitical risks		Leakage of confidential information	(•)(•)(•)	11	
			Antitrust law violations (bid rigging and cartels)	(•)(•)(•)	11	
			* Green technology: Technologies and products that solve or mitigate environmental problems (e.g., technologies	Short-term (within 3 year medium-term (until 202			

and products that contribute to more lightweight designs and decarbonization) long-term (after 2030) 20

Materiality (Key Issues)

Social Issues/ Megatrends	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
	 Responding to the transformation of the automobiles 	Development of new products for BEVsExpanding sales to BEV leading markets and OEMs	• BEV-related share of revenue: 40% BEV production volume/Car production volume * Based on S&P Global Information	3 GOOD WEATH AND WELL-SETHIG
	 Reducing traffic fatalities for realizing a safer and comfortable mobility society 	 Development and sales expansion of airbag products to deliver safety and comfort to all 	 Airbag production volume: +1.5 fold increase (compared to 2022) 	Achieving a safer and more comfortable mobility society
	Creating new businesses utilizing core technologies	 Expanding new businesses by leveraging experience in new business development Deployment of corporate venture capital Business innovation through the promotion of digitalization 	 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) 	9 MODIFICATION TO THE PROPERTY OF THE PROPERTY
	 Creating a decarbonized society by reducing CO₂ emissions and greenhouse gas emissions Creating a recycling-oriented society through waste reduction and water risk reduction 	 Creating environmentally-friendly businesses by leveraging our knowledge in the rubber and plastics fields Globally integrated operations to achieve carbon neutrality Contribution to a recycling-oriented society (Car to Car recycling) 	 Scopes 1 and 2: Carbon neutral Scope 3: -27.5% (compared to 2019) Renewable energy adoption rate: 100% Waste volume (total) [non-consolidated]: -50% (compared to 2012) Waste volume (unit) [overseas]: -55% (compared to 2015) 	7 AFFORMALE AND 12 RESOURCE AND 13 ACTION AND PRODUCED AN
	 Living together with local communities Use of diverse human resources and respect for human rights 	 Initiatives rooted in local communities (local self-reliant management, Center of Excellence) Diversity, equity & inclusion Safety and health management Enhancing quality and supply chain to support sustainability management Responding to geopolitical and economic risks 	 Percentage of employees receiving training on human rights: 100% Employee engagement affirmation rate [non-consolidated]: 75% Ratio of national staff in executive positions (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% 	8 meran work and to work to the cooling to the cool
W.	Corporate governance as a company with integrity	 Enhancing of BCP resilience 	Number of major legal violations: 0	16 PRACE AUSTREA AND STRONG INSTITUTIONS
	Ensuring compliance	Enhancing of internal controls	Major cyber security incidents: 0	Fair and transparent corporate governance system

22 TOYODA GOSEI REPORT 2024 23