

Medium to Long-Term Management Plan

2030 Business Plan

August 9, 2023

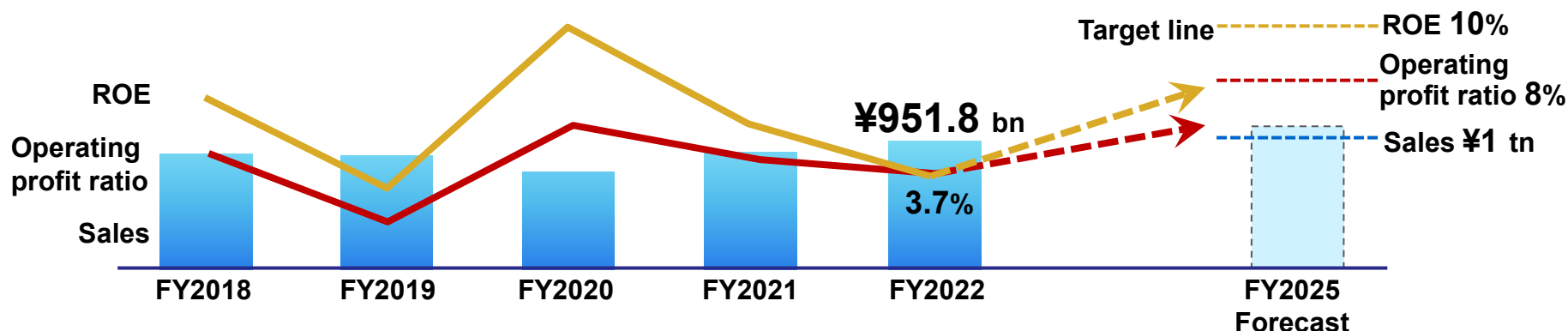
TOYODA GOSEI CO., LTD.

1. Progress towards 2025 Business Plan



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- Sales are increasing at a faster pace than automobile production volume. We are also benefitting from the weak yen, and expect to hit our target.
- As for profits, although we have made progress with reorganizing loss-making operations in Europe and other locations, we expect to miss our target by a few points due to the adverse impact of production fluctuations and materials market conditions during the COVID-19 pandemic.



■ Challenges for further growth

- ① **Adapting to CASE (Connected, Autonomous, Shared, Electric) technological advances with a focus on BEVs**
Roll out different products for different regions and customers. Expand organizations and human capital in each overseas region.
- ② **Restructuring of business portfolio**
Focus on fields that balance social value and economic value.
- ③ **Business management with an awareness of capital efficiency**
Shift resources into high-growth, high-profit fields and manage balance sheets.
- ④ **Creating new businesses and products to serve as new pillars in the next generation**
Speed up the generation of ideas and ascertain their commercial viability. Develop products from the customer's point of view and market them as solutions.

2. Outline of 2030 Business Plan



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[Vision for the company]
Become a company that pursues the possibilities of polymers to contribute to a future of better mobility and living.

P. 4

[Delivered value]

P. 5–10

Safety

Through safety systems

Comfort

Through interior & exterior components

Decarbonization

Through new businesses for polymer materials

[Basic policy and priority measures]

P. 11

[Basic policy]

Focus on fields that balance social value and economic value. (business portfolio restructuring)

[Priority measures]

P. 12, 13

- ◆ Structural reforms aimed at growth in priority businesses, regions, and customers (expand sales in safety systems, interior/exterior, and materials businesses to regional automakers in North America, India, and China)
- ◆ Forge strategic alliances to accelerate growth globally and strategically reinforce development and intellectual properties (IP).
- ◆ Revamp management with a “polymer-like organization” that organically binds people and the organization.

[FY2030 financial objectives]

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Revenue
¥1,200.0 bn

Operating profit
¥100.0 bn

Operating profit ratio
8%

ROE
10%

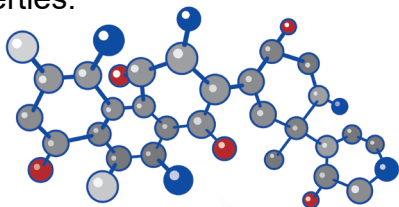
3. Vision for the Company in 2030

[Vision for the company]

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

What are polymers (or polymer compounds)?

- Compounds such as rubber and plastics that have a large molecular mass
- In polymers, intermolecular forces are strong, and the interactions of these forces determine the polymer's structure and properties.



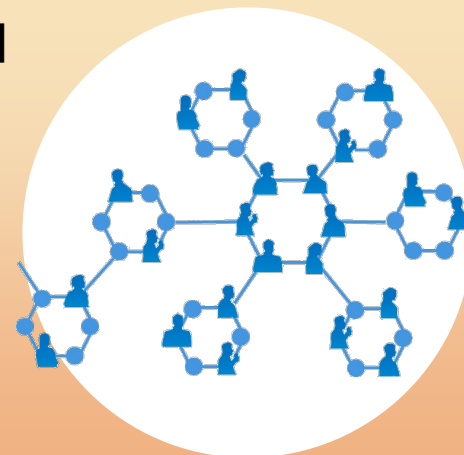
[Polymer business]

Contribute to society and the environment by tapping into our wealth of knowledge in the rubber and plastics business, which we have operated in ever since our foundation.

- Bring the **safety, and comfort** we have perfected with our automobile components to people's mobility and living.
- Lead society in **decarbonization** by leveraging polymer technology to pursue carbon neutrality and economic sustainability.

[Polymer-like organization]

- Get people and organizations **working closely together** to realize high levels of creativity and productivity.
- Create new value by **customizing organizational forms** to align with changes in our environment.



4. Enhancing Social and Economic Value

4-1. Changes in Mobility in Society

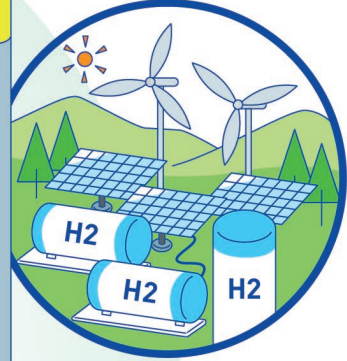
- With the advances in CASE and decarbonization, mobility is changing, and so is people's relationships with cars.
- We will provide value in terms of safety, comfort, and decarbonization in response to changes in mobility in society.

Advances in CASE and decarbonization

Acceleration in resource recycling



Proliferation of clean energy



Improve Electricity Usage



Mobility in future society

Safety

Comfort

Decarbonization

Improvement of occupant restraint performance (Safety improvement)

Transformation from means of transportation to space for relaxation

Review of automotive manufacturing



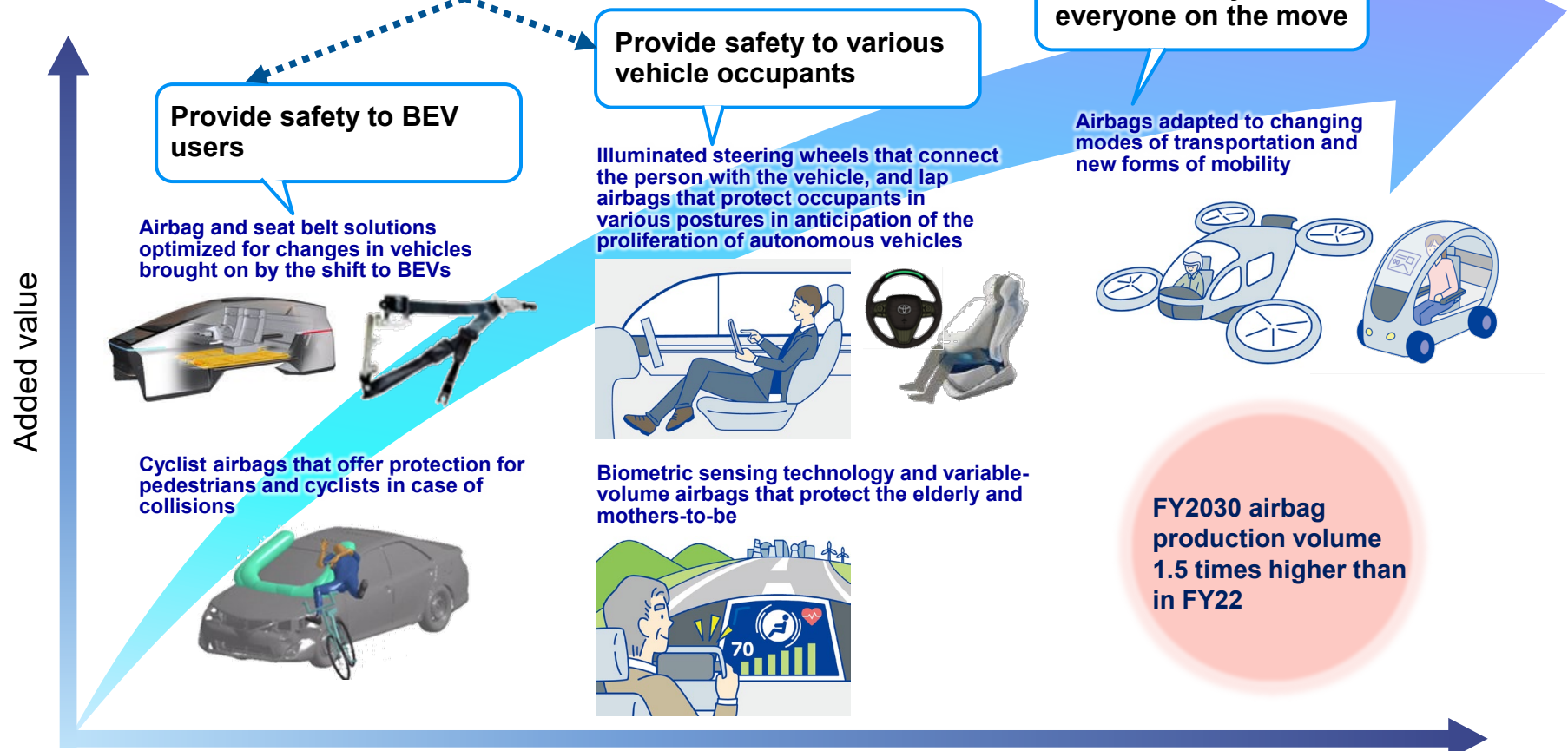
Human coexistence with new forms of mobility

4. Enhancing Social and Economic Value

4-2. Contribution to Safety

- Over the years, we have reduced traffic fatalities by supplying airbags of various types.
- As BEVs and autonomous vehicles proliferate, our next task is to develop and bring to market sophisticated products for protecting vehicle occupants.

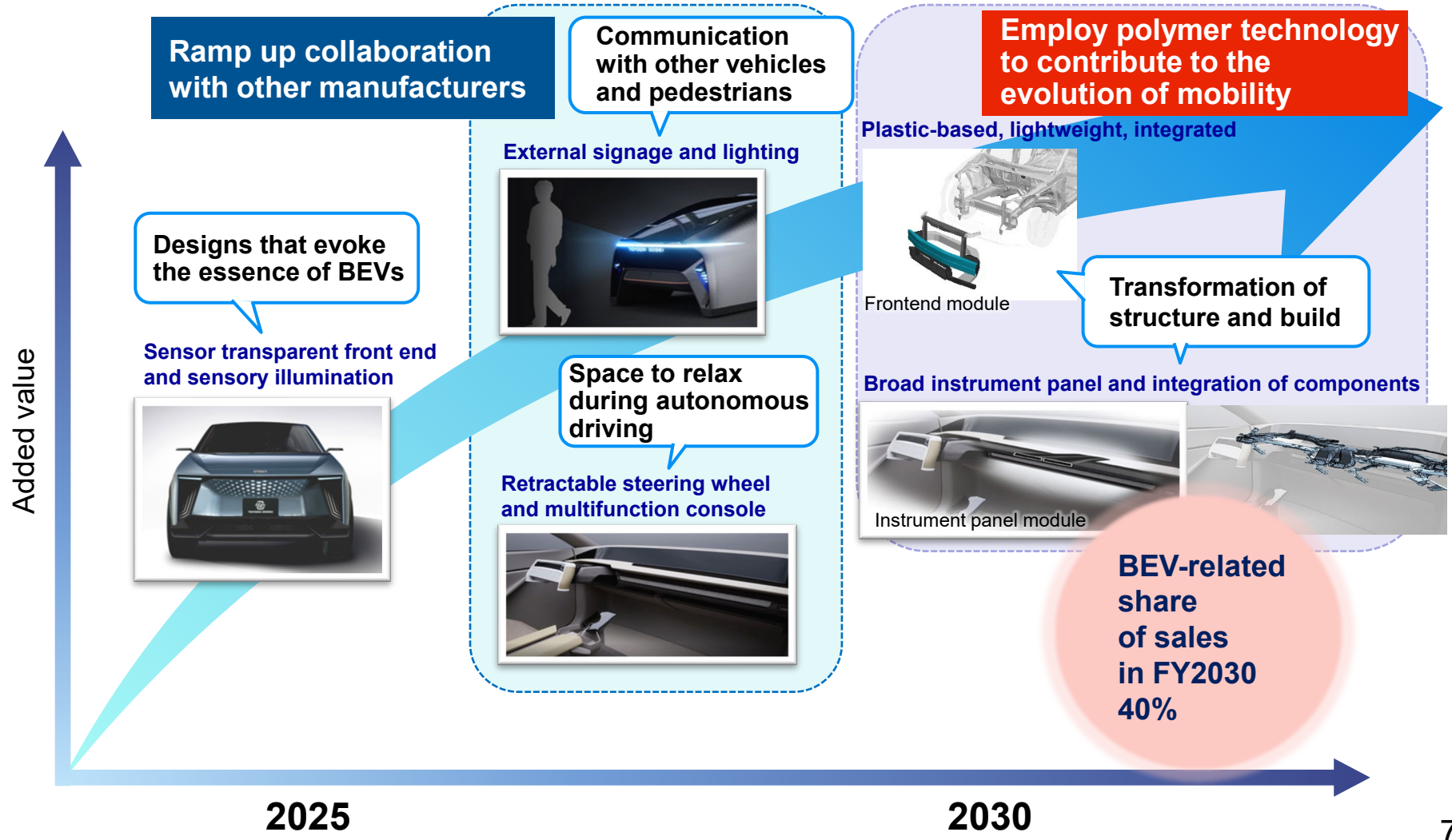
**Deepen collaboration with Ashimori Industry Co., Ltd.
Offer seat belt and airbag systems**



4. Enhancing Social and Economic Value

4-3. Contribution to Comfort

- By integrating safety systems and illuminated products into interior & exterior components, we will offer new functionality suited to BEVs.
- With our polymer technology, we will also upgrade car designs and manufacturing to bring about new forms of mobility.

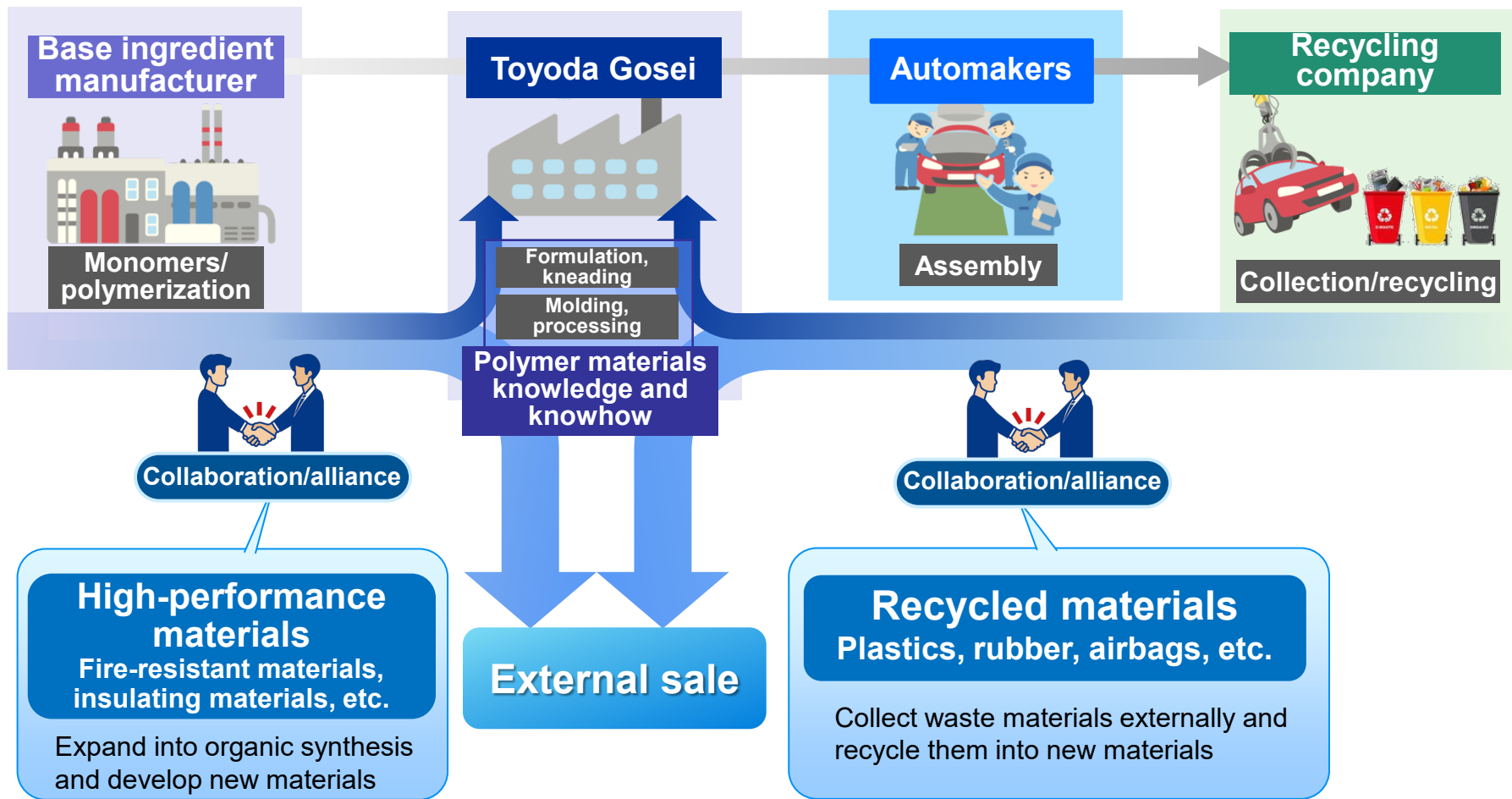


4. Enhancing Social and Economic Value

4-4. Contribution to Decarbonization (1) Commercialization of Materials



- Harness our knowledge of polymer materials (formulation, kneading) to focus on development of high-performance materials and recycling materials.
- Contribute to decarbonization and recycling promotion in society at large by not only utilizing the materials ourselves but also selling them externally.



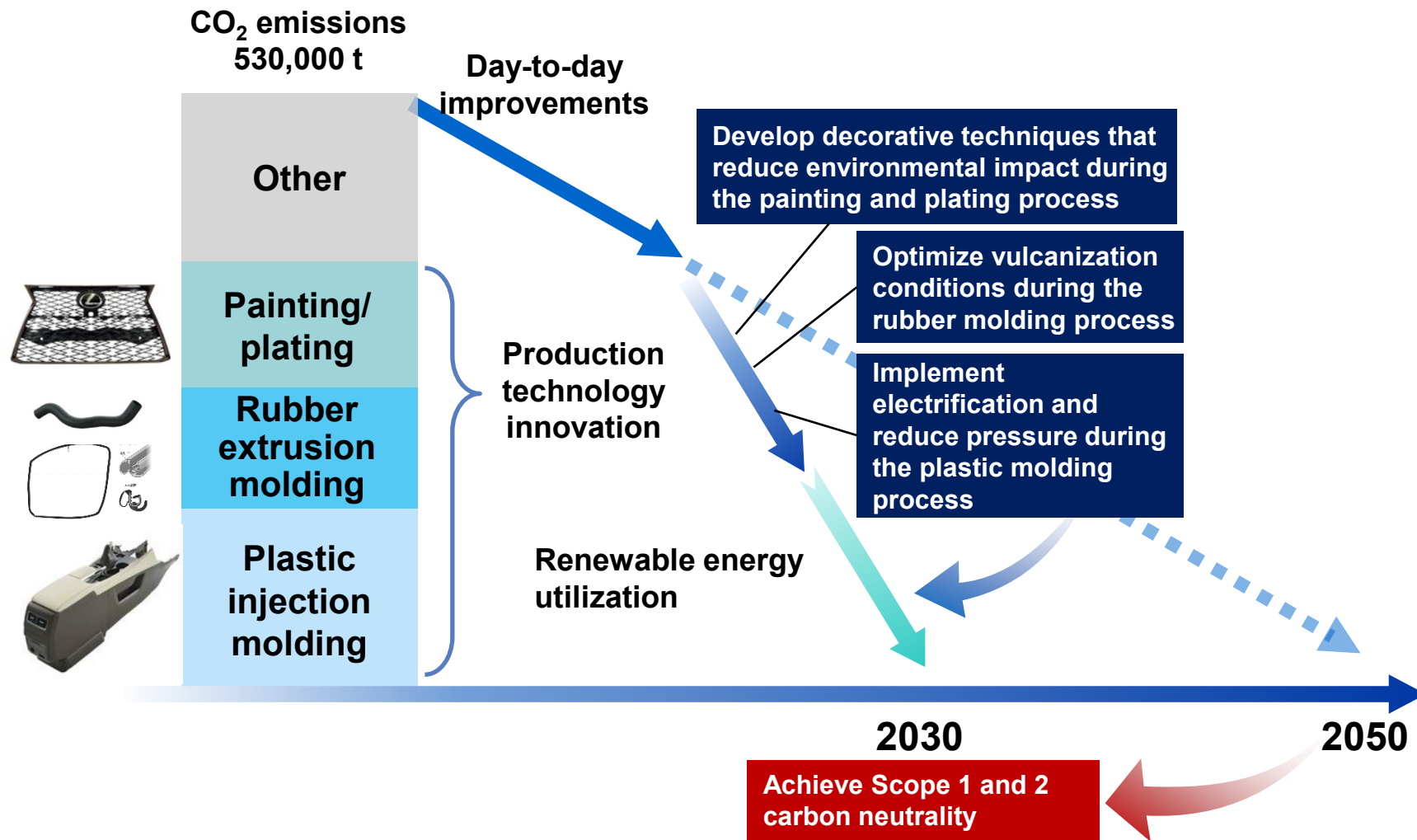
4. Enhancing Social and Economic Value

4-4. Contribution to Decarbonization (2) Carbon Neutrality



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- Go beyond day-to-day improvements and push forward with production technology innovation to accelerate energy conservation.
- Bring forward the achievement of Scope 1 and 2 carbon neutrality to 2030 and provide CO₂-free, high-added-value products.



4. Enhancing Social and Economic Value






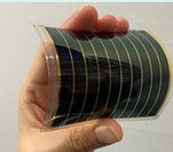
4-5. Expansion of Scope of Contribution


- Offer a wide range of products, not just automobile components, to bring value to society and benefit greater numbers of people.
- Strengthen structures for deploying CVC and creating new value to swiftly get new businesses off the ground.

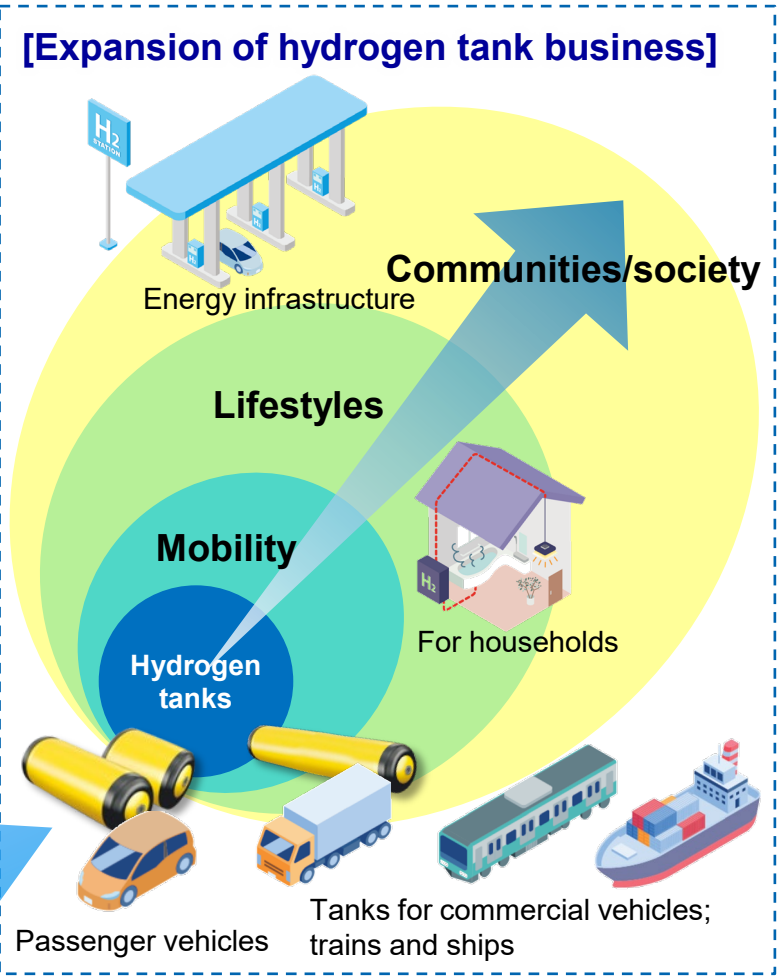
Deployment of corporate venture capital (CVC)

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Repeat a cycle of rapidly generating ideas and ascertaining their commercial viability

Healthcare	 Deep UV LED air sterilization devices	 Smart insoles	 Blood sugar measurement devices
Energy	 Hydrogen tanks	 GaN power semiconductors	 Perovskite solar cells


Microwave electricity supply



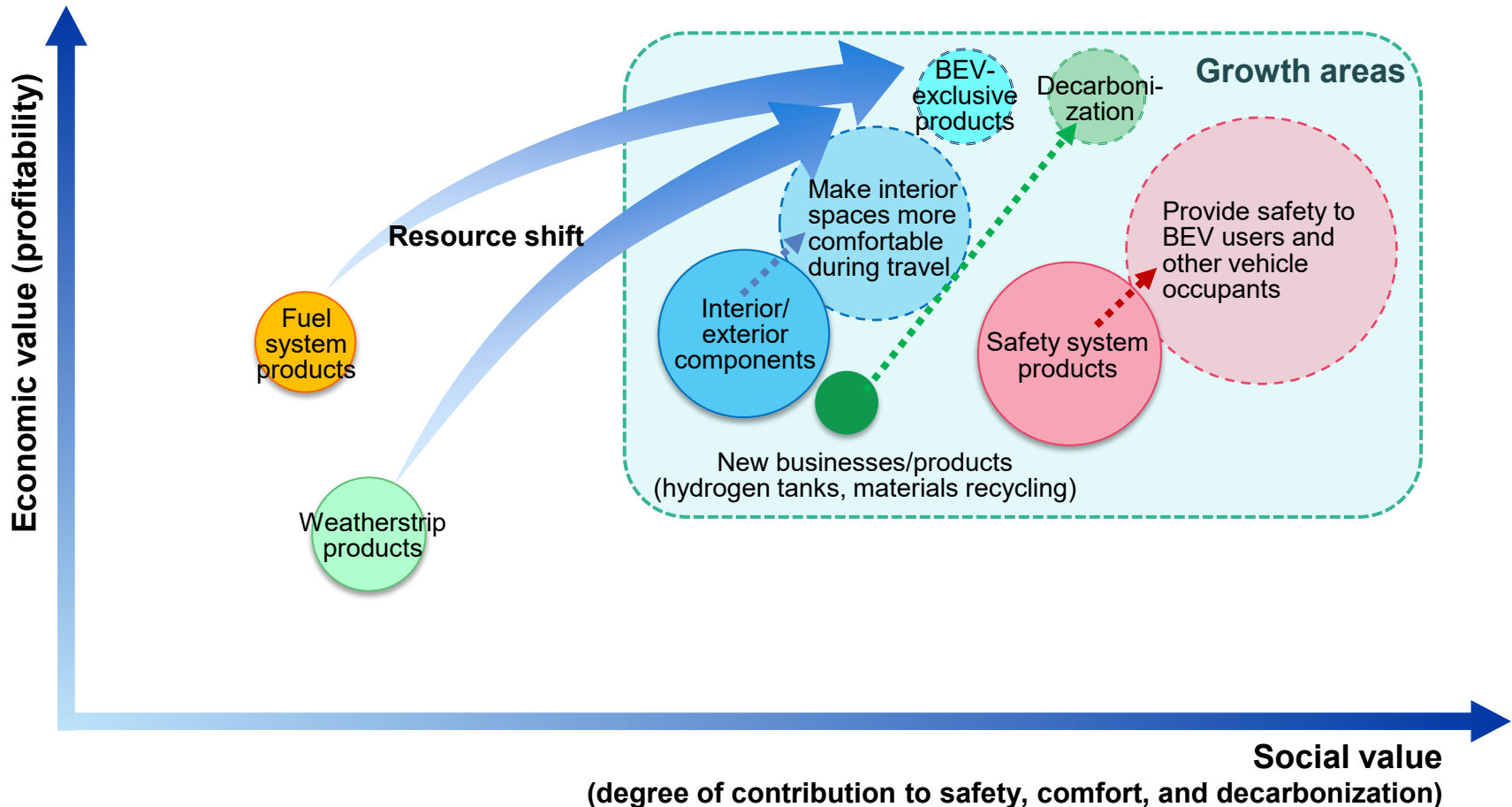
2025

2030

5. Business Portfolio Restructuring

- Shift resources into fields that balance social value and economic value.
- Deliver safety, comfort, and decarbonization through business.

■ Envisioned business portfolio in 2030 (circle size denotes revenue)



6. Action for Growth Strategy Execution

- Leverage strategic alliances and IP strategies to secure a competitive advantage.
- Press ahead with restructuring to expand priority businesses, regional operations, and customer base.

Strategic alliances

- Deepen alliances in the **safety systems business** to target regions and customers.
- Pursue joint development and collaboration to expand the **interior/exterior business for BEVs**.
- Execute a partner strategy to **commercialize upstream/downstream operations in the materials field**.

Strategic reinforcement of development and IP

- Build a structure for developing products that match market needs in **priority regions (North America, India, and China)**.
- Pivot from protecting development outcomes through patent filings to **constructing a patent network that generates profits**.
- Assess and analyze information on IP to explore its potential application to **new businesses and usage cases beyond automobile components**.

Business restructuring

- **Downsize or pull out of low-profit businesses** to shift resources into growth businesses.
- Implement **exit strategies for fuel system components** such as global, centralized production.

Manufacturing innovation

- Make smart factories a reality to **double productivity** (digital transformation (DX), low-outlay automation).
- Develop **materials recycling technology** and innovative production technology to help achieve carbon neutrality.

7. Invigoration of People and Organizations

- Revitalize the company to implement the 2030 Business Plan (i.e., invigorate our people and organizations).
- Be highly sensitive to changes in our operating environment, foster a dynamic corporate culture, and develop talent.

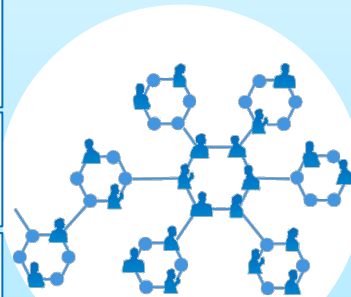
Strengthening of organizational structure (transition to dynamic polymer-like organization)

- Draw out the individuality, vitality, and strengths of each individual and bring together creativity and potency through organic bonding.
- Strengthen connections with internal and external organizations.
- Customize structure to flexibly adapt to environmental changes.
- Make our management team the catalyst, get work done faster, and maximize results.

**Self-fulfillment for each individual
(embrace change without fear of failure)**

**Enhancement of employee engagement
(establish safe spaces and stages upon which to shine)**

Management style transformation



Strategy and execution speed improvements (sensitivity and swift responses to changes in environment)

- Enhance strategic planning and speed up decision-making by establishing a CxO (chief officer) system (execute strategy, and launch lead organizations for BEVs and recycling).
- Adopt a management approach based on regional autonomy to better serve priority markets.
- Tap the enthusiasm and energy of each region by setting up CoEs*.

* Propagate the CoE (center of excellence) concept to translate the strengths of each region into global success.

Examples: Thailand's low-cost, energy-saving production automation technology
Techniques for developing and promoting locally recruited personnel in China and North America

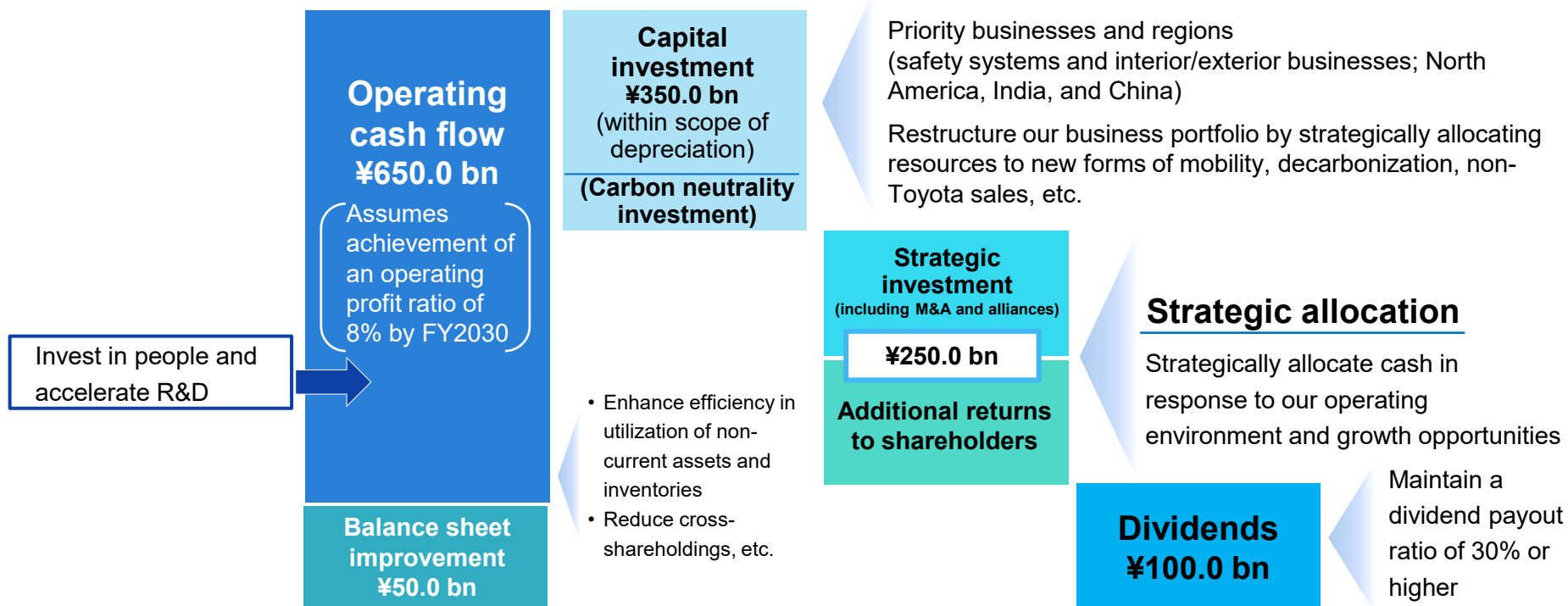
8. Financial Objectives and Cash Allocation

- Aim to grow sales by more than the market, and focus on profit growth to achieve an ROE that exceeds our cost of equity.
- Strategically allocate cash generated after securing sufficient funds for capital investment and returning value to shareholders.

■ Financial objectives



■ Cash allocation (cumulative from FY2023 to FY2030)



9. Financial Policy



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- Endeavor to increase our value as an enterprise by supporting growth through balancing growth potential, financial soundness, and efficiency.
- Strengthen our balance sheet using TG-ROIC as a metric as we strive to deliver an ROE of 10%.

Growth potential (profit growth)

Priority investment in high-growth, high-profit fields (R&D/capital investment)

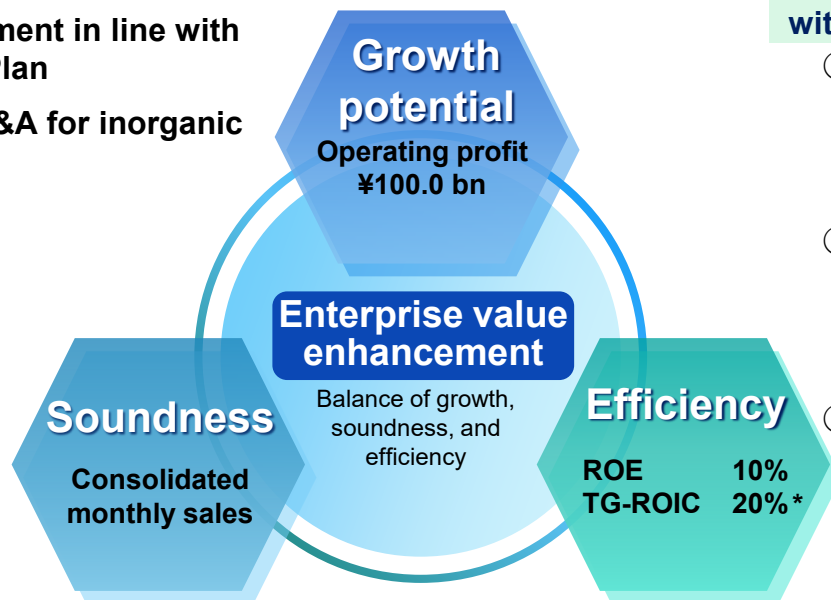
- ① Strategic investment in line with 2030 Business Plan
- ② Alliances and M&A for inorganic growth

Efficiency

(asset efficiency and capital efficiency)

Efficient administration of businesses with attention paid to cost of capital

- ① **Efficient balance sheet management**
 - More efficient use of non-current assets and inventories
 - Reduction of cross-shareholdings
- ② **Returns to shareholders that reflect capital efficiency**
 - Steady and continuous dividend increases
 - Flexible acquisition of treasury shares
- ③ **Reduction of cost of equity**
 - Proactive disclosure of financial and non-financial information
 - Diversification of shareholder base (focus on increasing individual shareholders)



Soundness

Maintain sufficient funds and funding capacity to respond flexibly to any investment opportunity

- ① Maintain cash on hand
- ② Secure flexible means of funding (interest-bearing liabilities)

$$* \text{ TG-ROIC} = \frac{\text{Operating profit}}{\text{Non-current assets} + \text{Inventories}}$$

A simplified, easier-to-use version of the typical formula



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ONE TEAM, ONE TG.

◆ Notice Regarding Forecasts

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Toyota Gosei adopted the International Financial Reporting Standards (IFRS) in the first quarter of FY2018.