

Value Creation Process

Based on the Toyoda Precepts (corporate creed) and basic philosophy, we aim to engage in value creation through our diverse businesses and continue contributing to society. To this end, we will strive to directly address the changes and challenges surrounding society, make the most of the core assets and strengths we have accumulated to date and achieve our 2030 Vision and CSR material issues.

Contribute to Making the Earth a Better Place to Live, Enrich Lifestyles and Promote a Compassionate Society

Social Issues and Changes

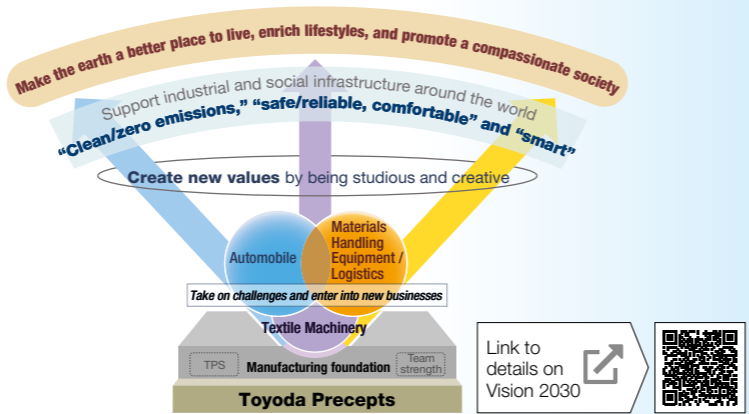
- Climate change
- Energy Resources Water issues
- Digitalization
- Electrification Automation
- Declining birthrate and aging population
- Work style diversification

Six Capitals Supporting Growth

- Human capital
- Intellectual capital
- Manufacturing capital
- Social and relationship capital
- Natural capital
- Financial capital

Aspiration in the Medium to Long Term and CSR Materiality

Vision 2030
Contribute to making the earth a better place to live, enrich lifestyles, and promote a compassionate society by supporting industrial and social infrastructure around the world through the continuous supply of products/services that anticipate customers' needs.



CSR Materiality

CSR Materiality	SDGs to Contribute
<ul style="list-style-type: none"> Mitigation of Global Warming Contribution to Circular Economy 	
Resolving Social Issues through Our Business <ul style="list-style-type: none"> Creation of Innovative Values 	
Foundation Supporting Our Business Operations <ul style="list-style-type: none"> Products and Services Which Contribute to Safety, Reliability and Comfort Mutual Prosperity through Partnerships with Local Communities Safe and Healthy Work Environments Leveraging Diversity and Inclusion Sustainable Procurement Compliance and Risk Management 	

Link to CSR Materiality

Business Results

Materials Handling Equipment

Lift trucks and logistics solutions that contribute to greater logistics efficiency for customers

Automobile

- Comfortable and appealing automobiles
- Fuel-efficient and clean engines
- Car air-conditioning compressors that realize a comfortable vehicle interior
- Electronics and batteries that contribute to the electrification of automobiles, etc.

Textile Machinery

Weaving and spinning machinery to produce fabrics and yarns of high quality and soft texture

Values and Joys for Stakeholders

- Customers**
 Contributing to such needs as electrification, automation and energy savings as well as safety and reliability through high-quality products and services
- Business Partners**
 Co-existence and co-prosperity based on mutual trust cultivated through open, fair and equitable business relationships
- Shareholders and Investors**
 Returning profits to shareholders and investors by enhancing corporate value through sustainable growth
- Employees**
 Developing employees' work values and motivating them to demonstrate their potential by creating safe and secure workplaces for diverse human resources
- Local Communities**
 Contributing to the prosperity of each country and local community through promoting social welfare, youth development, environmental protection, community contribution and other activities
- Global Environment**
 Contributing to reducing CO₂ emissions, mitigating resource depletion and curtailing environmental risks by promoting environmental management

Basic Philosophy
Toyoda Precepts

Six Capitals Supporting Growth

Since our founding in 1926, we have engaged in and developed our diverse businesses based on our desire to contribute to society. Building on the six capitals we have accumulated to date, we strive to achieve sustained growth by flexibly responding to a drastically changing society.

Human Capital

Diverse Human Resources Committed to Creating and Delivering Products and Services That Contribute to Society

- Human resources comprised of more than 70,000 employees possessing diverse strengths in respective business fields
- Certified as a Health and Productivity Management Organization (White 500) for five consecutive years
- Systems and training programs to help individual employees to demonstrate their abilities to the fullest regardless of age or gender
- Lifting Group-wide capabilities to the next level through global exchanges across businesses and functions



Social and Relationship Capital

Extensive Sales and Service Networks Together with Relationships of Trust with Various Stakeholders

- Global sales and service networks mainly for materials handling equipment
- Close collaboration with Toyota Group companies as well as major automakers and other manufacturers around the world
- Business reinforcement and expansion through M&A and other measures
- Solid supply chain built on mutual cooperation with business partners
- Rate of performing a sustainability check on applicable suppliers (non-consolidated): **100%**
- Proactive dialogue with shareholders, investors and members of local communities



Intellectual Capital

Technology, Expertise and Know-How Related to Automobiles and Materials Handling Equipment

- Strengthening development capability and competitiveness through collaboration between the Materials Handling Equipment and Automobile-related businesses
- Accumulation of knowledge thanks to involvement in the production of automobiles spanning from vehicle assembly to the development of key components
- Wide-ranging responsiveness and sustainable growth potential stemming from technologies in the development of both automation and electrification
- Research and development by also drawing on external expertise
- Research and development expenses: **¥94.4 billion** (62.3% of which are for automation and electrification)



Natural Capital

Group-Wide Initiatives Aimed at Reducing Environmental Impact and Realizing a Carbon Neutral Society

- Business activities to realize clean/zero emissions in terms of production and products
- Reduction of CO₂ emissions (global): **-24%***
- Renewable energy introduction rate (global): **11%**
- Reduction of logistics-derived CO₂ emissions per unit of production (non-consolidated): **-10%***
- Reduction of waste generation volume (non-consolidated): **-17%***

* Fiscal 2014 as the base year



Manufacturing Capital

Production Structure and Investments in Tangible Assets to Deliver Quality Products to Customers around the World

- Superb quality and productivity based on the Toyota Production System
- Globally stable production and supply structures of respective businesses
- Production bases in Japan: **10 bases**;
Production bases outside Japan: **23 bases**
- Investments in tangible assets (consolidated): **¥134.8 billion**



Financial Capital

Solid Financial Foundation Underpinning Sustained Business Expansion

- Share of equity attributable to owners of the parent: **¥3,928.5 billion**
- Net cash provided by operating activities: **¥321.0 billion**
- Equity ratio: **51.5%**
- Return on equity: **5.0%**



Initiatives to Resolve Social Issues and Improve Corporate Value

Initiatives to Resolve Social Issues and Improve Corporate Value

Under the Toyoda Precepts (corporate creed), Toyota Industries has been undertaking a broad range of businesses by upholding the philosophy of contributing to society since its founding. In keeping with recent changes in the business environment, we have clarified which social issues we should tackle as our CSR material issues, and will work for the resolution of these issues.



Process to Determine CSR Materiality

Identification of Issues Relevant to Toyota Industries

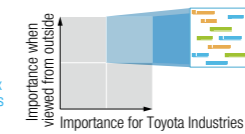
Identifying, among various social issues, the ones relevant to our business activities based on the United Nations 17 Sustainable Development Goals (SDGs) and 169 targets as well as guidelines

- [Items we refer to]
 1) 17 SDGs and 169 targets
 2) Important ESG Items

Assessment of Importance

Assessing the importance of the identified issues from both internal and external viewpoints to select those having higher degrees of importance

- [Assessment method]
 1) Conducting questionnaires and discussions with relevant internal departments
 2) Plotting onto a 2 x 2 materiality matrix to select issues having higher degrees of importance



Validation of Adequacy

Conducting reviews by both our top management and outside experts to receive feedback and confirm the adequacy of the selected issues

Approval by Top Management

Gaining approval of the CSR Committee chaired by the president and comprising our top management based on the validation results

CSR Materiality	Contribution to Vision 2030 (Aspiration)	Action Policies	Action Targets and Activities	Targets	(FY to achieve)	Results for FY2022	Page number	Targets for FY2023
Mitigation of Global Warming Contribution to Circular Economy SDGs to Contribute 	Clean/zero emissions: Mitigating global warming and achieving a circular economy through such initiatives as reducing CO2 emissions and waste in our business activities and expanding the lineup of environmentally friendly products in our efforts to contribute to maintaining and improving the global environment over the long run	<ul style="list-style-type: none"> Reducing CO2 emissions from production activities 	<ul style="list-style-type: none"> Reduce production-derived CO2 emissions Total emissions 	-25%*	(2026)	-24%	P. 42-45	—
		<ul style="list-style-type: none"> Reducing CO2 emissions from production-related logistics 	<ul style="list-style-type: none"> Adopt renewable energy sources Introduction rate 	15%	(2026)	11%	P. 42-45	—
		<ul style="list-style-type: none"> Reducing CO2 emissions through product and technology development 	<ul style="list-style-type: none"> Reduce logistics-derived CO2 emissions Emission volume per unit of production (non-consolidated) 	-11%	(2026)	-10%	P. 42-45	—
		<ul style="list-style-type: none"> Effective resource utilization in production activities 	<ul style="list-style-type: none"> Develop technologies that contribute to an even greater level of energy efficiency 	—	P. 42-45	—	P. 42-45	—
Creation of Innovative Values SDGs to Contribute 	Creation of innovative value, smart: Contributing to achieving a "smart" society and more enriched lifestyles by resolving social issues through technological advancement and innovation that create new value	<ul style="list-style-type: none"> Promoting development of new technologies that create new value 	<ul style="list-style-type: none"> Ratio of R&D expenses for electrification and automation 	Over 70%	(2031)	62.3%	—	63.0%
		<ul style="list-style-type: none"> Improving core technologies and utilizing the new knowledge of business partners to enter into peripheral fields of existing businesses while developing and offering technologies and products in new business fields 	<ul style="list-style-type: none"> Expand peripheral fields and new business fields Net sales 	Over ¥1 trillion	(2031)	—	—	—
		<ul style="list-style-type: none"> Implementing initiatives to promote 3R (reduce, reuse and recycle) design for effective resource utilization 	<ul style="list-style-type: none"> Develop new technologies and products that contribute to resolving environmental and social issues 	—	—	—	—	—
		<ul style="list-style-type: none"> Implementing initiatives to promote 3R (reduce, reuse and recycle) design for effective resource utilization 	<ul style="list-style-type: none"> Develop new technologies and products for logistics automation and expand sales (Materials Handling Equipment) 	Twofold (100%)	(2031)	Up 36.9%	P. 24-29	52%
Products and Services Which Contribute to Safety, Reliability and Comfort Mutual Prosperity through Partnerships with Local Communities SDGs to Contribute 	Safe/reliable, comfortable: Contributing to creating a compassionate society by offering products and services that anticipate the needs of customers and various stakeholders and that are safe, reliable and comfortable to use while fulfilling our responsibilities as a member of society to thrive together	<ul style="list-style-type: none"> Enhancing electrification-related products and services that are highly functional, ecologically sound and adaptable as social infrastructure 	<ul style="list-style-type: none"> Expand sales of electrification-related products (all businesses) Ratio of electrification-related products to net sales 	Over 70%	(2031)	43.2%	—	47%
		<ul style="list-style-type: none"> Offering high-quality and safe products and services and maintaining and improving the structure to realize this goal 	<ul style="list-style-type: none"> Offer highly efficient and energy-saving electric compressors that are excellent in terms of quiet operation and comfort (Automobile Business) 	—	P. 33-35	—	—	
		<ul style="list-style-type: none"> Continuously promoting grassroots activities in local communities and thrive together as a member of society 	<ul style="list-style-type: none"> Offer clean and high-quality fuel cell units and on-board batteries (Automobile and Materials Handling Equipment businesses) 	—	—	—	—	
		<ul style="list-style-type: none"> Continuously promoting grassroots activities in local communities and thrive together as a member of society 	<ul style="list-style-type: none"> Offer power source-related products, on-board or otherwise, that can also be used as social infrastructure during disasters and other occasions (Automobile Business) 	—	P. 35-36	—	—	
Safe and Healthy Work Environments Leveraging Diversity and Inclusion Sustainable Procurement Compliance and Risk Management	—	<ul style="list-style-type: none"> Fostering safe and healthy workplaces for everyone 	<ul style="list-style-type: none"> Eliminate serious accidents Number of serious accidents 	0	(2031)	2	P. 58	0
		<ul style="list-style-type: none"> Creating the environment for everyone to get a fair share of opportunity to develop and demonstrate their potential 	<ul style="list-style-type: none"> Frequency rate of lost workday injuries (non-consolidated) 	0.00	(2031)	0.15	P. 58	0.00
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Utilize diverse human resources Ratio of female managers (non-consolidated) 	3.6%	(2031)	1.7%	P. 55-57	—
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Ratio of employees with disabilities (non-consolidated) 	Over 2.30%	(2031)	2.48%	P. 57	Over 2.30%
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Maintain sound transactions and strengthen structure throughout the supply chain 	—	—	—	—	
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Implementation rate of sustainability checks on target suppliers (non-consolidated) 	100%	(2031)	100% (960 companies)	P. 52	100% (970 companies)
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Eliminate serious compliance violations Number of violations 	0	(2031)	0	P. 69	0
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Promote risk management activities taking a risk-based approach 	—	—	—	P. 73-74	—
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Improve BCP effectiveness 	—	—	—	P. 71-72	—
		<ul style="list-style-type: none"> Establishing the foundation to remain a company that is trusted and needed by society 	<ul style="list-style-type: none"> Respond to cybersecurity risks Number of serious incidents 	0	(2031)	0	P. 71-72	0

* As a more ambitious target, we are aiming for a 50% reduction by fiscal 2031 from the fiscal 2014 level.