



TSE 1st Section Securities Code 3116

FY2021 (Year ending March 2021)

Briefing on 2025 Mid-term Business Plan



Date: November 11, 2020



◆ I am Takeshi Numa, President of Toyota Boshoku.

Thank you very much for attending our briefing of the 2025 Mid-term Business Plan.

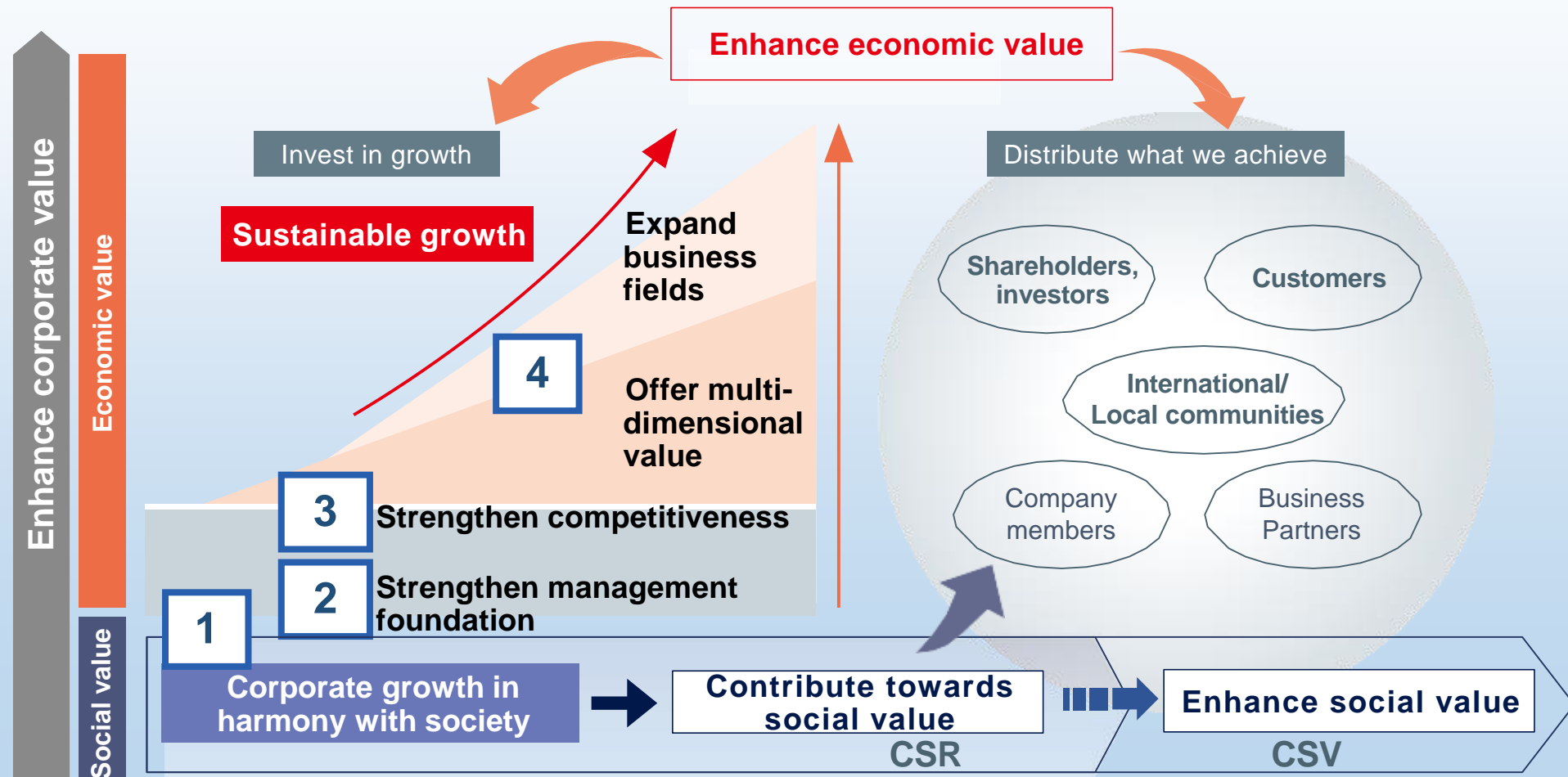
◆ First of all, I would like to express my condolence to those who have been affected by COVID-19, and also extend my sincere sympathies to those who are fighting the illness.

At the same time, I would like to express my heartfelt thanks to medical and social welfare professionals as well as those who are continuing businesses necessary for our daily lives.

1. Overview and Review of 2020 Mid-term Business Plan

1) The management structure we aim to achieve

We meet the expectations of our stakeholders through contributing to social values and properly distributing economic value as a good corporate citizen.



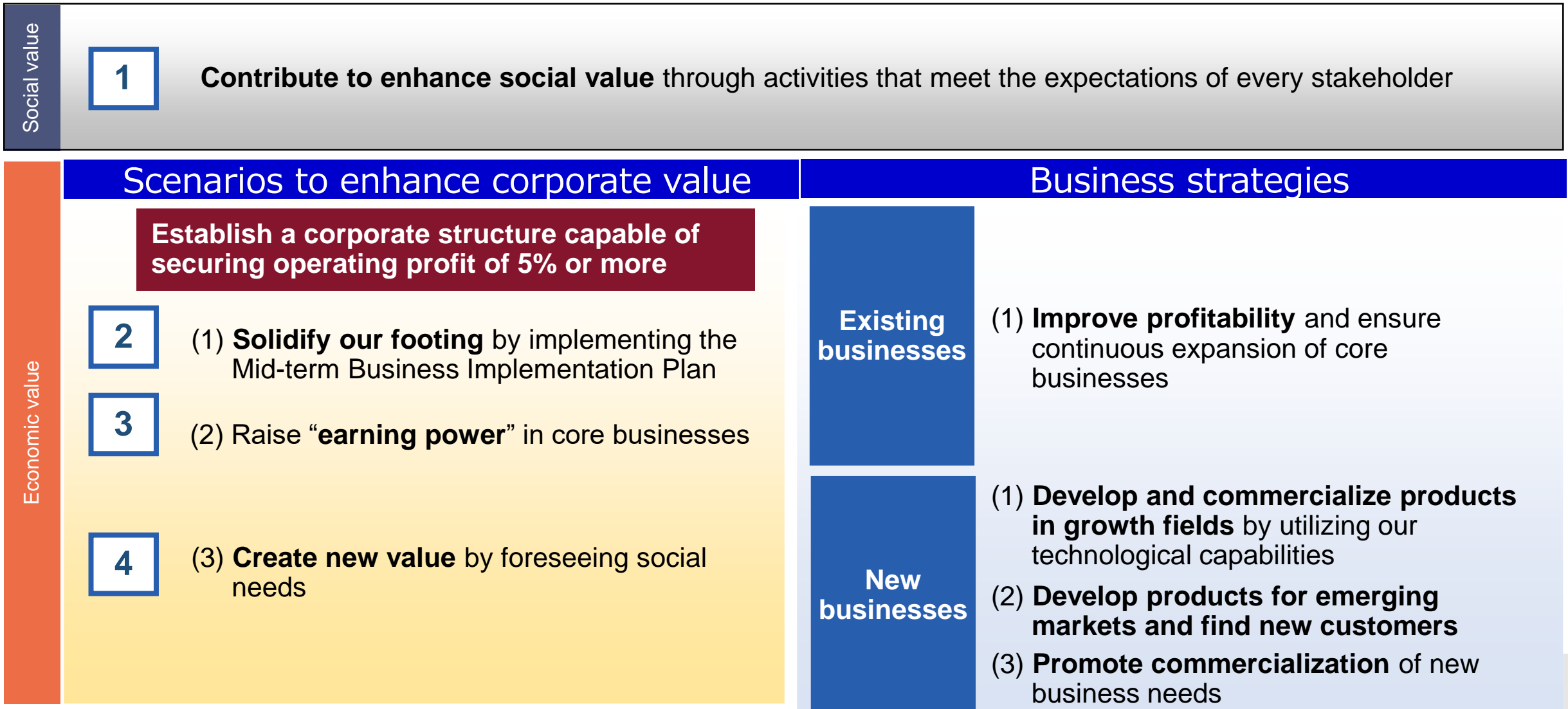
- ◆ First, to review the 2020 Mid-term Business Plan, we announced the management structure we aim to achieve in the Mid-term Business Implementation Plan in November 2016.

- ◆ (1) We contribute towards social value by pursuing the corporate growth in harmony with society.
- (2) We will strengthen the management foundation and
- (3) strengthen competitive advantage.
- (4) We will then advance to offering multi-dimensional values and expanding business fields, improving our economic value. The resulting earnings will be invested in growth fields while the achievements will be returned to our stakeholders.

- ◆ By following these steps, we aim to raise our corporate value in mid to long term and meet the expectations of stakeholders.

1. Overview and Review of 2020 Mid-term Business Plan

2) Framework of 2020 Mid-term Business Plan



- ◆ We will solidify our footing to raise our economic value by steadily implementing the Mid-term Business Implementation Plan, and raise the earning power in our core businesses, and create new value by foreseeing social needs, thereby establishing a corporate structure capable of securing operating profit of 5% or more.
- ◆ For existing businesses, we
 - (1) improve profitability of core businesses.

For new businesses, we

- (1) develop and commercialize products in growth fields,
- (2) develop products for emerging markets and find new customers, and
- (3) promote commercialization of new business needs.

1. Overview and Review of 2020 Mid-term Business Plan

3) Review and issues of 2020 Mid-term Business Implementation Plan

2020 Mid-term Business Implementation Plan	Major achievements	Issues
1 Corporate growth while fulfilling our responsibility in harmony with society		
Contribute towards social value	<ul style="list-style-type: none"> Examined a shift to CSV management and identified aspects of materiality 	Formulating next Mid-term Business Plan based on materiality
2 Strengthen management foundation		
Strengthen global management foundation	<ul style="list-style-type: none"> Create Business Management Structure 	Create foundation for management information
	<ul style="list-style-type: none"> Developed efficient organizations Promoted global utilization of human resources 	Further promote “vibrant workstyle innovation”

- ◆ To summarize the review and issues of the Mid-term Business Plan, in the perspective of corporate social responsibility, we identified aspects of Toyota Boshoku's materiality to enhance our corporate value by solving social issues through our core business.
- ◆ We also devised next 2025 mid-term business plan oriented towards achieving Materiality.
- ◆ Also, in order to strengthen our management foundation, we will set financial and non-financial target as the managing structure of our business targets.

We need information that enable daily management* and are required to further promote the “vibrant workstyle innovation” that will adopt to the new normal of COVID19 catastrophe.

*1)enhance profitability, 2)construct business structure, 3)financial management

1. Overview and Review of 2020 Mid-term Business Plan

3) Review and issues of 2020 Mid-term Business Implementation Plan

2020 Mid-term Business Implementation Plan	Major achievements	Issues
3 Strengthen competitive advantage		
Develop new technologies and new products toward 2030	<ul style="list-style-type: none"> • MOOX, tide-generating force • Five senses + air quality system development 	Plan commercialization of growth strategy items
Strengthen system supplier system	<ul style="list-style-type: none"> • Trial launch of model project 	Expand business fields
Further enhance our fundamental capabilities in manufacturing	<ul style="list-style-type: none"> • 26% reduction in development man-hours 	Promote digitization Utilize global R&D
	<ul style="list-style-type: none"> • Promotion of plant autonomy 	Realize optimal production and supply systems Establish a procurement base to strengthen competitive advantage
4 Offer multi-dimensional value / Expand business fields		
Promote new businesses	<ul style="list-style-type: none"> • Developed products for emerging markets, and launched pilot production of Lithium ion batteries 	Establish mass-production technology in response to market electrification

- ◆ Also, to strengthen competitive advantage, the commercialization of growth strategy items is essential in developing new technologies and new products toward 2030.
- ◆ For further enhancing basic manufacturing capabilities, we should promote global utilization of R&D man-hours and realize optimal production and supply systems.
- ◆ In terms of promoting new businesses, we have conducted development for emerging markets and pilot production of lithium batteries.
We will further aim to establish mass-production technologies in response to the electrification trend of market.

1. Overview and Review of 2020 Mid-term Business Plan

4) Financial forecasts for FY2021

Though the 2020 management targets were not achieved, preparations for the next step have been almost completed.

(100 million yen)

	Target	Forecast	Forecast (Without impact of COVID-19)
Revenue	14,000	12,400	13,900
Operating profit	700	360	670
Operating profit ratio	5% or higher	2.9%	4.8%
ROE	10% or higher	4.8%	10.5%
Equity ratio	Around 40%	37.8%	38.2%
Capital investments (FY18-FY20)	1,800	1,700	1,700
R&D costs (FY18-FY20)	1,400	1,340	1,340

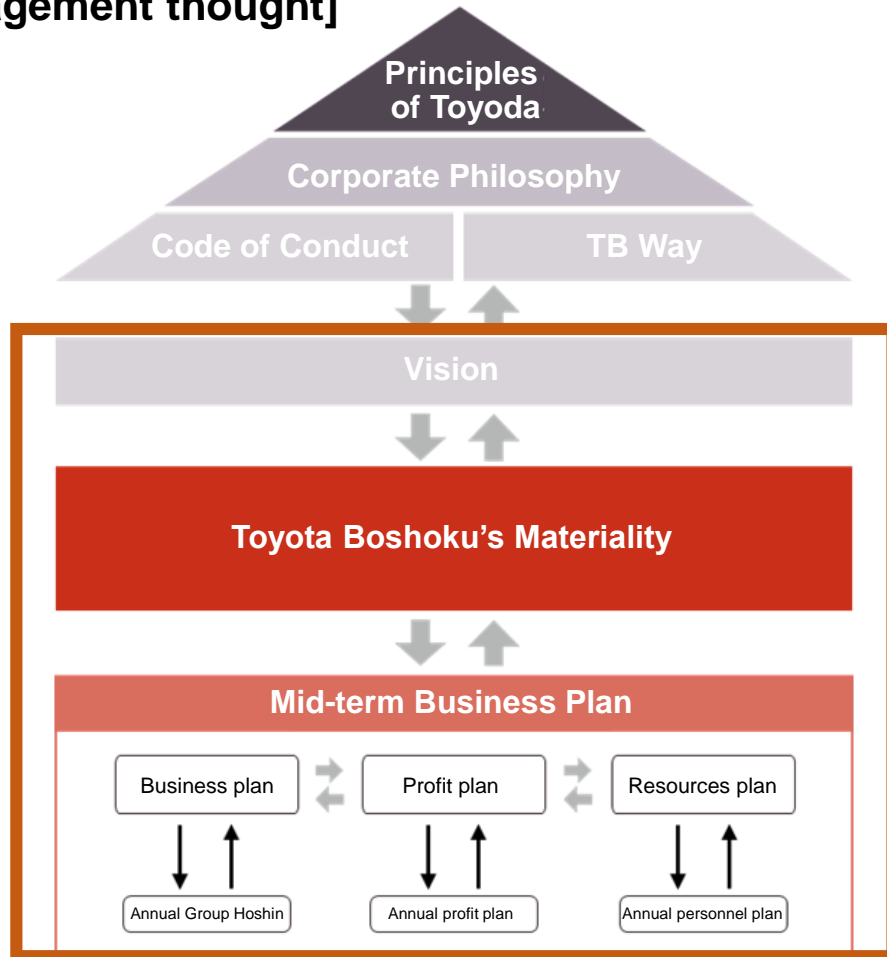
* Without impact of COVID-19: Figure estimated by deducting the impact of production reduction from the annual production volume provided by customers before the impact of COVID-19 arose

- ◆ Here I explain the management targets, full-year forecasts.
- ◆ While the target for revenue was 1,400 billion yen, the full-year forecast is 1,390 billion yen without the impact of COVID-19.
Similarly, the target for operating profit was 70 billion yen while the forecast turned out to be 67 billion yen without COVID-19.
- ◆ Based on the review, I can summarize that we have been steadily gaining profitability by enhancing competitiveness and strengthening management foundation. At the same time, our issues to achieve continuous growth while adapting ourselves to the environmental changes seem to have been clarified.

2. Concepts in formulating 2025 Mid-term Business Plan

Shift to CSV management. Make company-wide efforts to fulfill the aspects of materiality identified from the current issues and future social needs.

[Management thought]



1) Toyota Boshoku's Vision

Looking into the future, we will create tomorrow's automobile interior spaces that will inspire our customers the world over.

2) Desired status in 2030

Become a sustainable, world top-level company by enhancing corporate value (Create new value as an interior space creator)

3) Toyota Boshoku's Materiality

Identify aspects of Toyota Boshoku's materiality to contribute to realization of sustainable society
⇒ All employees recognize SDGs and work to contribute to society through business activities

4) Concept for formulating 2025 Mid-term Business Plan

Set targets that will help enhance vitality of employees and that can be challenged by all members. And for further leap, formulate the mid-term business plan based on the Toyota Boshoku's materiality.

2025
Target

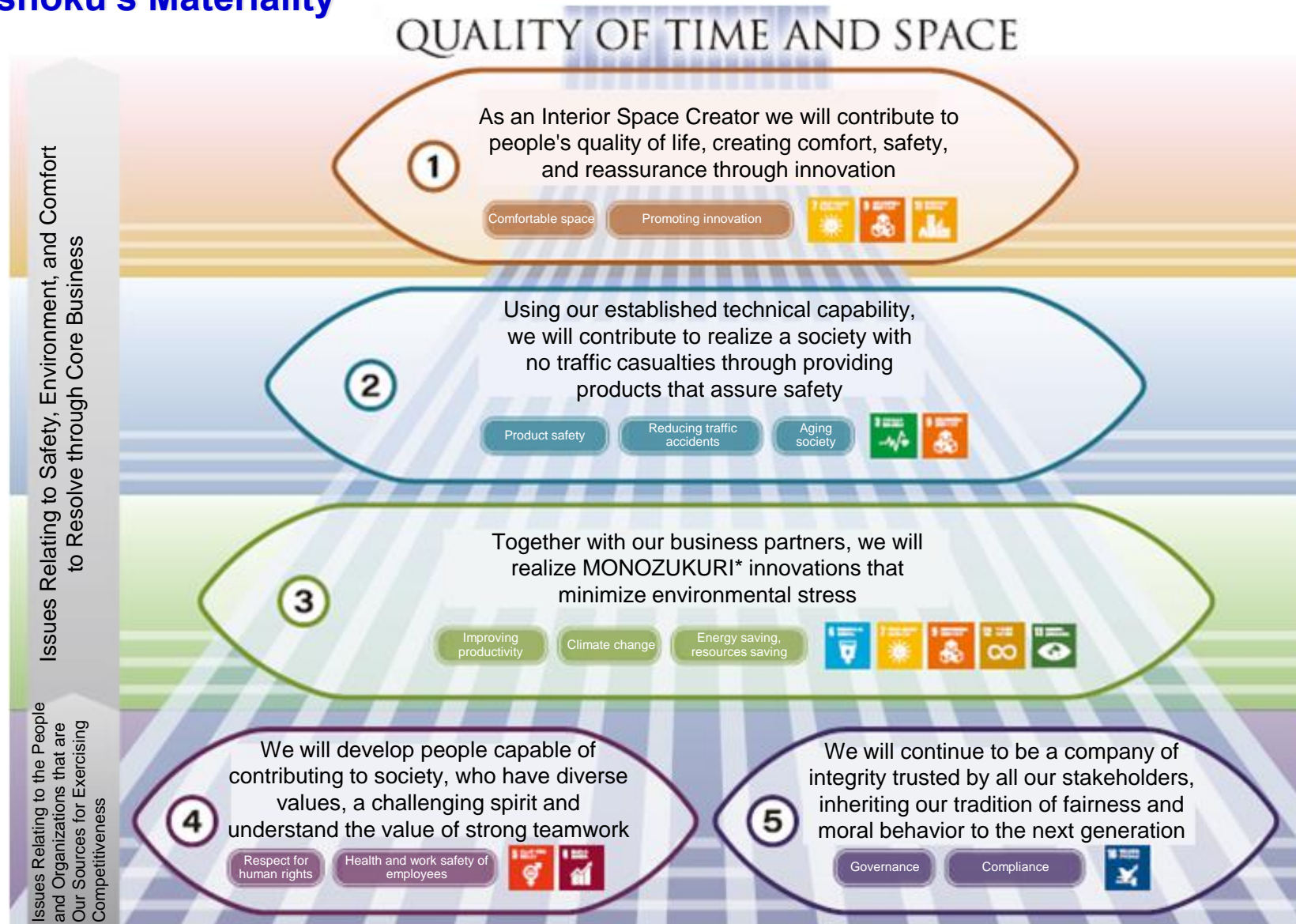
As an interior system supplier, we serve as "home"* and secure competitiveness that can rival global suppliers.

* "Home" means a business or region that is capable of creating added values on a Genchi-genbutsu basis and has competitive advantage compared to competitors

- ◆ Now, I will talk about the 2025 Mid-term Business Plan.
- ◆ First, the key concept in formulating the Mid-term Business Plan is to achieve the shift to CSV management. In other words, we will make company-wide efforts to fulfill the aspects of materiality identified from the current issues and future social needs.
- ◆ Toward our vision, we envisioned our desired status in 2030 in line with the aspects of the Toyota Boshoku's Materiality and set our target for 2025 as "As an interior system supplier, we serve as "home" and secure competitiveness that can rival global suppliers."

2. Concepts in formulating 2025 Mid-term Business Plan

Toyota Boshoku's Materiality



◆ Now, let me introduce Toyota Boshoku's Materiality.

- 1) It is a dual structure to resolve “Issues Relating to Safety, Environment, and Comfort to Resolve through Core Business” and “Issues Relating to the People and Organizations that are Our Sources for Exercising Competitiveness.”
- 2) It is also classified into “maximizing positive impacts”(fig.①④⑤) so as to enrich people and daily lives, and “minimizing negative impacts”(fig.②③) so as to avoid risks.

3. Framework of 2025 Mid-term Business Plan

Scenario to enhance corporate value

Achieve both sales expansion and improved profitability with world top-level proposal capabilities

2025

- (1) Strengthen corporate structure (with the break-even point lowered to below 70%) by **reinforcing existing core businesses**, and reallocate resources to growth fields
- (2) **Differentiate our products** based on thorough competitor benchmarking, **expand sales to strategic OEMs** other than Toyota
- (3) **Improve work quality** through efforts to win the Deming Prize
- (4) **Have the ability to solve social issues** through innovation

In response to advancement of CASE, aim to become a company needed by the world through offering solutions for automobile interior space

2030

- (1) **Maintain earnings from existing core businesses**
- (2) To **acquire expertise and capabilities** necessary to become an interior space creator, seek efficient ways to introduce technologies, including alliance
- (3) **Establish a mobility space solution business model** and make achievements
- (4) Implement **work reform (DX)** based on thorough **systemization** to ensure resources

- ◆ I would like to explain the framework of our 2025 Mid-term Business Plan which consists of 2 parts:

- ◆ For 2025,

We aim to achieve both sales expansion and improved profitability with our world top-level proposal capabilities by

- (1) reinforcing existing core businesses,
- (2) differentiating our products and expanding sales for strategic OEMs,
- (3) improving work quality, and
- (4) having the ability to solve social issues,

- ◆ For 2030,

we will respond to further advancement of CASE, with the aim of becoming a company needed by the world through offering solutions for automobile interior space by

- (1) maintaining earnings from existing core businesses
- (2) acquiring expertise and capabilities necessary to become an Interior Space Creator,
- (3) establishing a space solution business model, and
- (4) implementing work reform based on systemization

3. Framework of 2025 Mid-term Business Plan

Business strategies

Existing businesses

Seats
Interior/exterior
Unit components

(1) Reinforce core businesses and expand sales to new customers

- (i) Accelerate restructuring in Japan, the Americas, and China
- (ii) Expand business fields for interior products
- (iii) Ensure obtaining orders in Chinese EV market
- (iv) Reinforce procurement base to strengthen competitive advantage

(2) Raise earning power and promote investments in new growth fields

New businesses

(1) Respond to advancement of CASE/MaaS

- (i) Enhance advanced development (strengthen collaboration within Group)
- (ii) Evolve into a system supplier that manages entire interior space

(2) Respond to electrification along with market expansion

(3) Promote new businesses that may serve as our fourth or fifth core businesses

- ◆ For existing businesses, we
 - (1) reinforce core businesses and expand sales to new customers, and also
 - (2) raise the earning power and promote investments in new growth fields.

- ◆ For new businesses, we
 - (1) respond to advancement of CASE/MaaS,
 - (2) respond to electrification along with market expansion, and
 - (3) promote new businesses that may serve as our fourth or fifth core businesses.

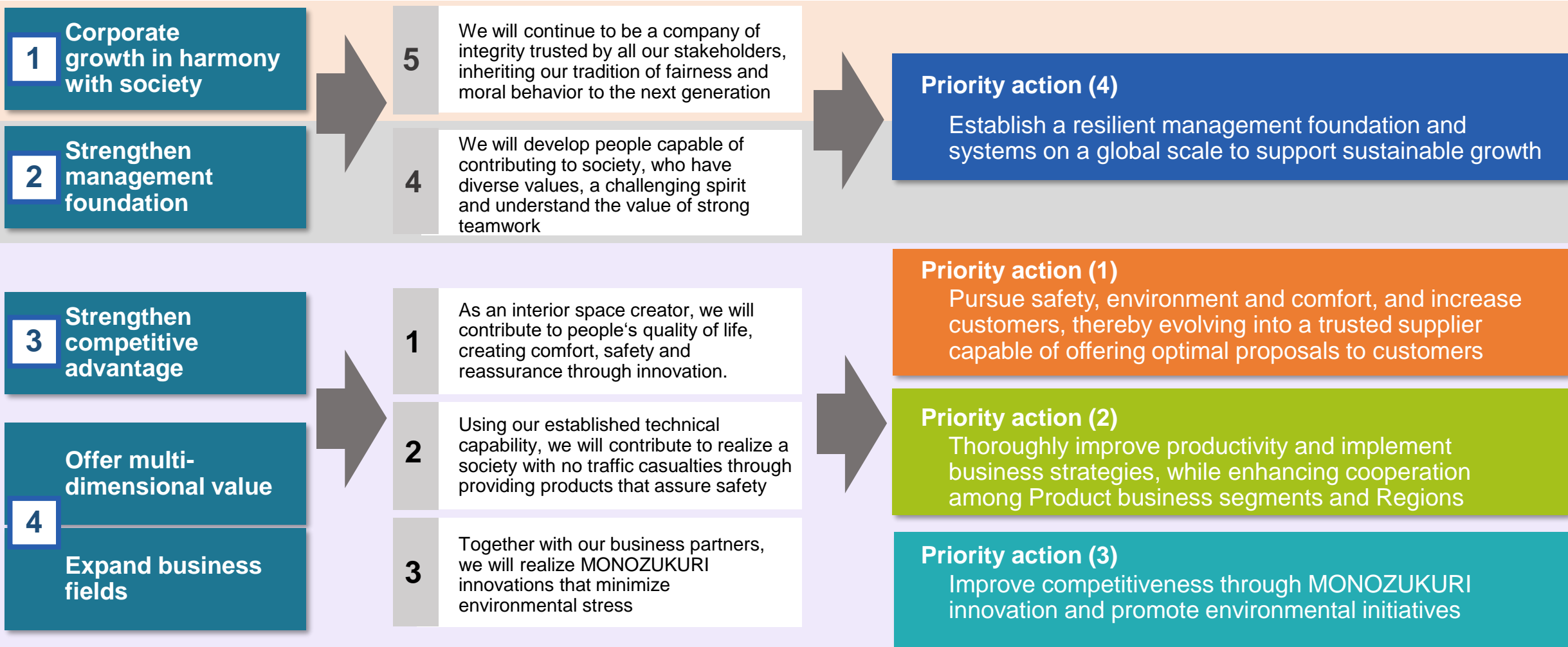
4. Actions in 2025 Mid-term Business Plan

To fulfill matters of materiality and enhance corporate value, we set four priority actions below.

[Issues from the 2020 Mid-term Business Implementation Plan]

[Materiality]

[2025 priority actions]



- ◆ Here, four priority actions in the Mid-term Business Plan are presented.

- ◆ Priority actions are:
 - (1) Pursue safety, environment and comfort, and increase customers, thereby evolving into a trusted supplier capable of offering optimal proposals to customers.
 - (2) Thoroughly improve productivity and implement business strategies, while enhancing cooperation among Product business segments and Regions
 - (3) Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives, and
 - (4) Establish a resilient management foundation and systems on a global scale to support sustainable growth.

4. Actions in 2025 Mid-term Business Plan

Priority action (1)



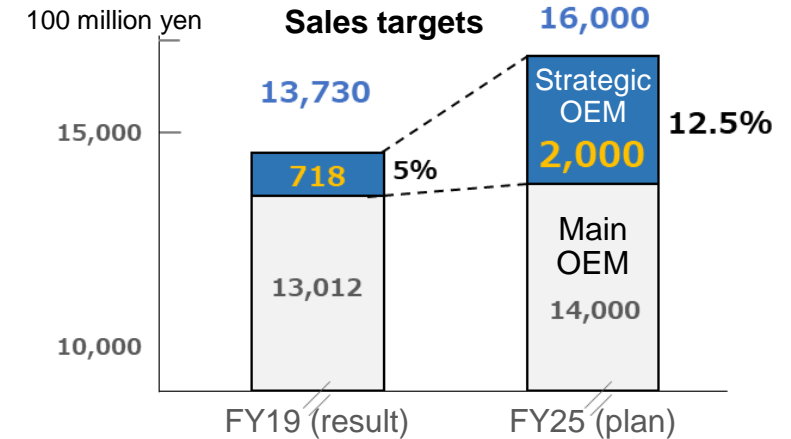
- Expand sales in regions where market is significantly growing (China, Asia) (for our main OEM and strategic OEMs)

Priority action (2)

Priority action (3)



- For regions with earning power, focus efforts on reforming profit structure through business restructuring, local procurement, etc.



	Japan	The Americas	China	Asia	Europe	Revenue
Seats	◎	◎	➔	➔ Daihatsu and Suzuki	➔ BMW	10,700
Interior/ exterior	➔	◎	◎	◎	◎	3,100
Units	➔	◎	➔	➔	◎	1,600
Other						600
Revenue	8,300	2,900	4,000		1,500	16,000

(100 million yen)

Intracompany eliminations (700)

- ◆ Regarding the four priority actions, points on which efforts should be focused are presented for each business segment and region.
- ◆ Please look at the arrows in the table.
In China and Asia, we aim to expand sales along with the growth of the market.
We will expand business fields in Japan and increase customers in Europe.
- ◆ Double circles indicate the business segments and regions where we will focus efforts on improving profits.
In Japan and the Americas, in particular, we will promote restructuring of plants.
In other regions, we will work to increase local procurement and other initiatives.

4. Actions in 2025 Mid-term Business Plan

Priority action (1)

Pursue safety, environment and comfort, and increase customers, thereby evolving into a trusted supplier capable of offering optimal proposals to customers.

Action target

Revenue 1,600 billion yen + α

Implementation items

- ★ 1) **Promote advancement of front and rear seat frames that are constantly surpassing competitors and pursue innovation for next-generation seat devices**
- 2) Globally expand the SS field by having the ability to plan entire vehicles and exercising new technologies and global procurement capacity
- 3) Expand sales to strategic OEMs (including Toyota alliance partners)
- 4) Promote new growth strategic items for electrification
- ★ 5) **As an interior space creator, establish a business model leading to further growth of Toyota Boshoku**

(★: Cases presented)

Implementation points

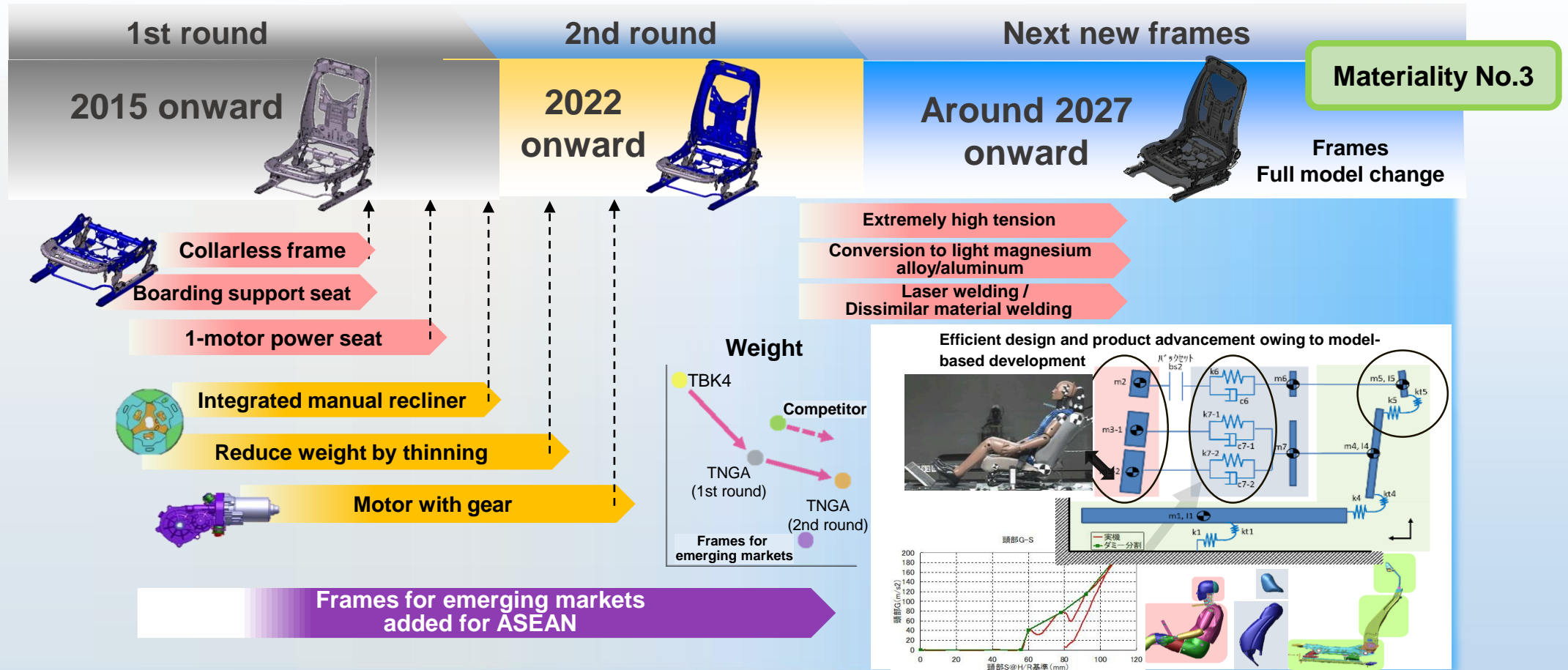
- 1) 3) **Acquire technology advantage through benchmarking**
- 2) Improve technology development capabilities
- 4) Make a leap toward future growth strategy
- 5) **Maximize the effects of collaboration within the Toyota Group**

- ◆ The priority action (1) is to pursue safety, environment and comfort, and increase customers, thereby evolving into a trusted supplier capable of offering optimal proposals to customers.
- ◆ Aiming to achieve the action target of revenue 1,600 billion yen, 5 major implementation items are as shown here. Today, I would like to focus on
 - 1) Promote advancement of seat frames that are surpassing competitors and pursue innovation for next-generation seat devices, and
 - 5) establish a business model as an Interior Space Creator.

4. Actions in 2025 Mid-term Business Plan

Implementation items

1) Promote advancement of front seat frames that are constantly surpassing competitors and pursue innovation for next-generation seat devices



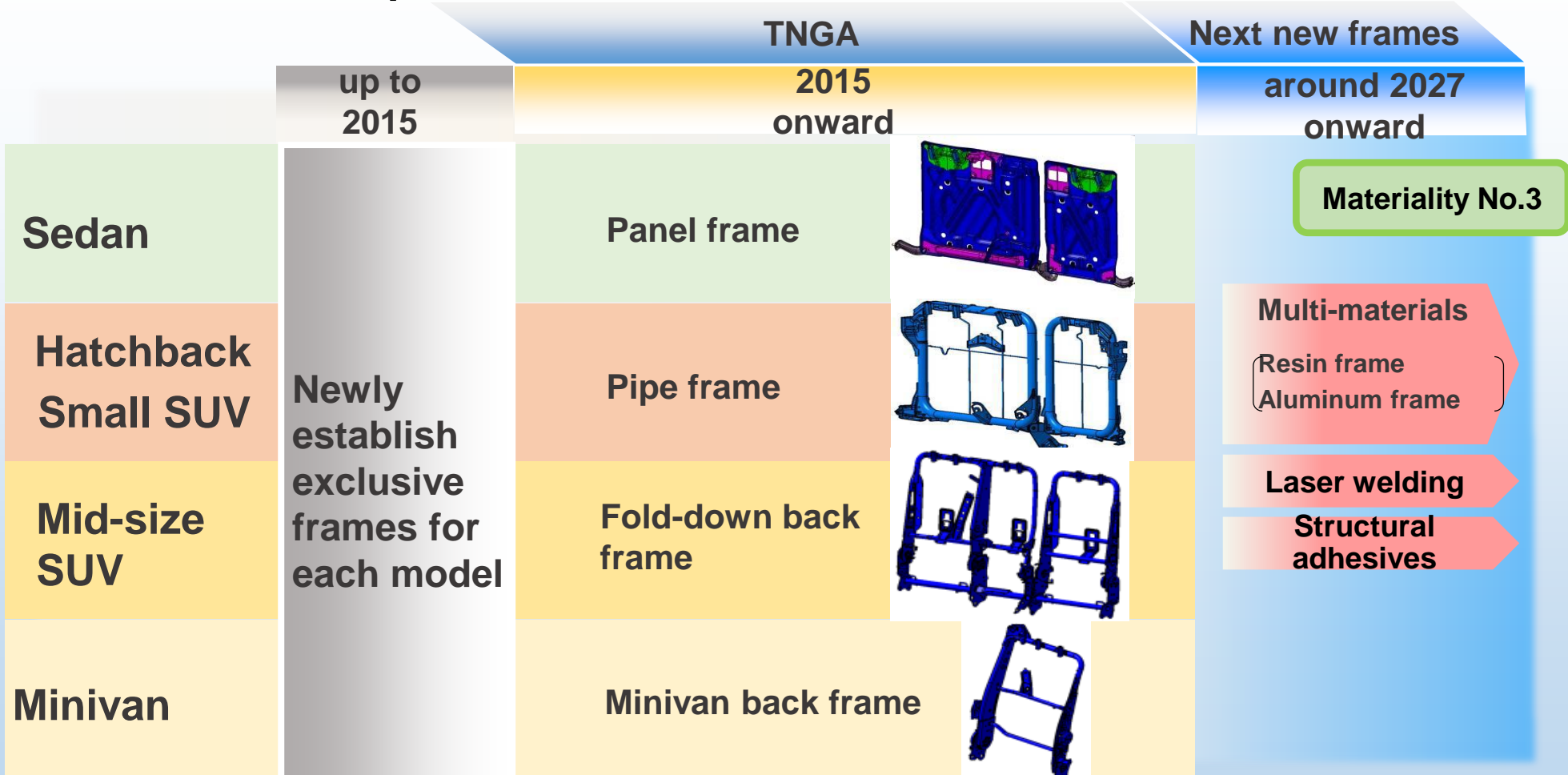
After launch of TNGA, continued to introduce new devices and weight-reducing items
Use model-based development to develop next new frames for wide range of OEMs

- ◆ To maintain and improve competitiveness of front frames after the launch of TNGA frames in 2015, we have been introducing high value-added products, including the weight reduction of parts and boarding support seats, and pursuing the minimization of cost.
- ◆ In addition, ahead of the development of next-generation frames, we are establishing light weight materials and new production techniques. Furthermore, implement efficient design using model-based development, and develop frames that are adaptable for a wide range of OEMs.

4. Actions in 2025 Mid-term Business Plan

Implementation items

1) Promote advancement of rear seat frames that are surpassing competitors



**Rear frames for each model standardized after TNGA concept (4 types)
Achieve a seat frame that surpasses competitors by securing volume**

- ◆ The same as with front frames, we have standardized rear frames which had been newly established for each model and launched four types of frames based on the TNGA concept in 2015 and taken advantage of the scale.
- ◆ In addition, we move forward with employing further weight-reducing and other new technologies for the next-generation frames.

4. Actions in 2025 Mid-term Business Plan

Implementation items

5) As an interior space creator, establish a business model leading to further growth of Toyota Boshoku



<Activities up to now >

Improve profitability by solidifying structure

- To be a supplier that take charge from material development to assembly
- Strengthen R&D, PE & manufacturing
- Human Resources Development
- Strengthen management foundation

2018

2020

2025

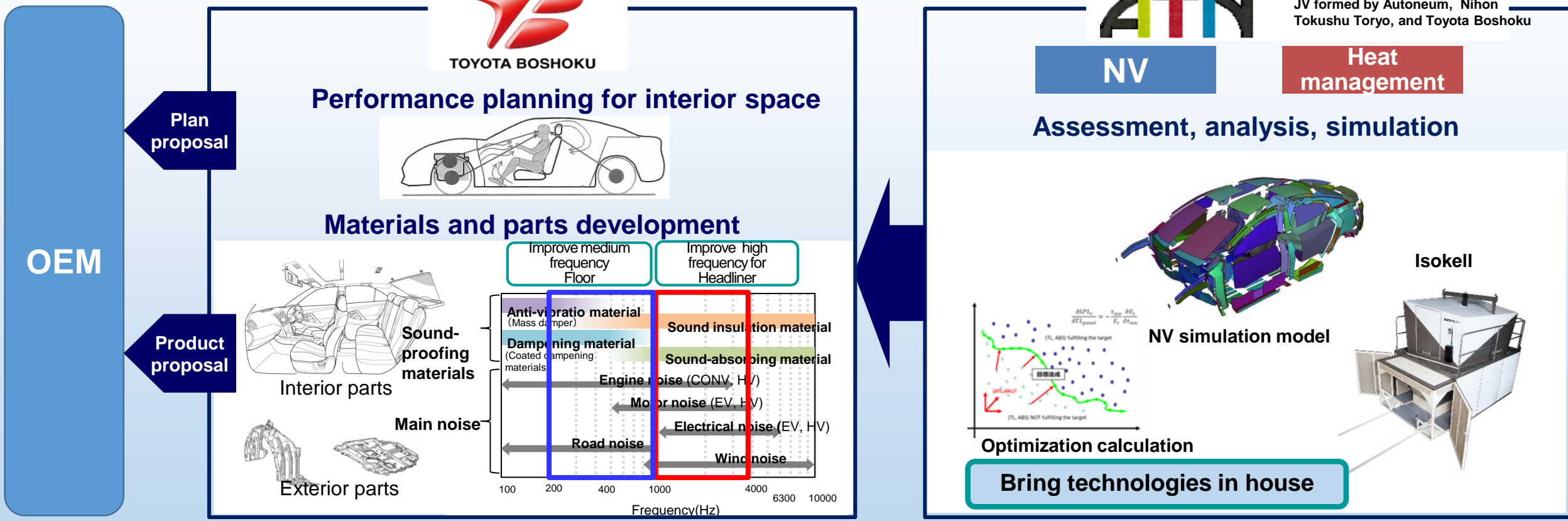
2030

- ◆ Next, toward becoming an Interior Space Creator, in Step 1, we will enhance advanced development and strengthen collaboration within the Toyota Group.
In Step 2, we aim to be a system supplier that manages entire interior space.
In Step 3, we will become an Interior Space Creator evolving from a system supplier and offer solutions for realizing automobile interior space.
- ◆ At the Tokyo Motor Show last year, we exhibited MX191, which shifted from Step 1 to Step 2. We have cooperated with relevant Toyota Group companies, and we are currently working for the commercialization of the items used for MX191.

4. Actions in 2025 Mid-term Business Plan

5) As an interior space creator, establish a business model leading to further growth of Toyota Boshoku NV and heat management technologies which become increasingly important with the popularity of EVs

Materiality No.1



Implement materials and parts development that uses ATN NV and heat management technology to expand business fields and propose comfortable time and space

- ◆ With the spread of EVs, to provide comfortable time and space, noise vibration (NV) and heat management are vital. In addition, as there is no engine noise for EVs, it is essential to improve the medium frequency range.
- ◆ Utilize ATN assessment, analysis and simulation, move forward with bringing technology in house, and provide an in-depth proposal for materials, including floor parts in the medium-frequency domain and ceiling parts in the high-frequency domain.

4. Actions in 2025 Mid-term Business Plan

Priority action (2)

Thoroughly improve productivity and implement business strategies, while enhancing cooperation among Product business segments and Regions

Action target

Operating profit 100 million yen + α

Implementation items

★1) Promote completely local procurement in Asia and China to raise marginal profit

(★: Cases presented)

★2) Improve production systems in China and the Americas ready to respond to production increase at our main customer

3) Maximize the effects of restructuring in the Japan region

Implementation point

Make effective use of limited fund for investment and resources

- ◆ Next, for the priority action (2) “Thoroughly improve productivity and implement business strategies, while enhancing cooperation among Product business segments and Regions”, we will aim to achieve the action target of operating profit 100 billion yen + α .
- ◆ There are three major implementation items as shown here.
- ◆ Today, I will present cases of
 - 1) activities to achieve completely local procurement and
 - 2) efforts to respond to production increase by the customer.

4. Actions in 2025 Mid-term Business Plan

Implementation items

1) Promote completely local procurement in Asia, including China, to improve marginal profit

“Completely local procurement” means to achieve local procurement of raw materials and difficult-to-produce parts.

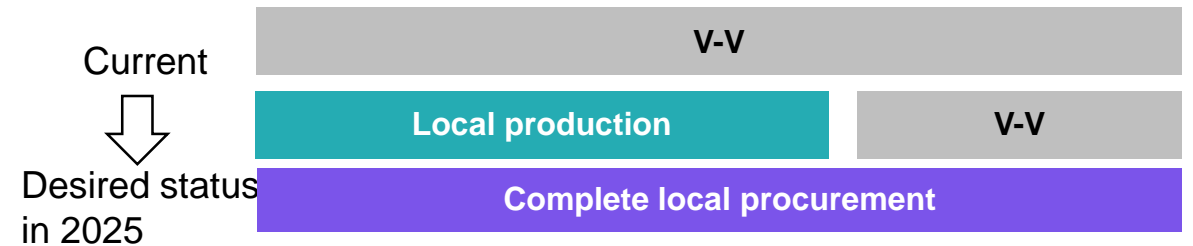
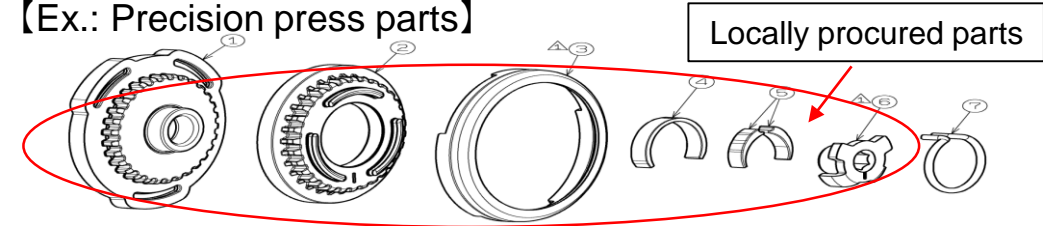
<Asia region> Promoting local procurement of raw materials (resin)

[Ex.: PP resin materials]

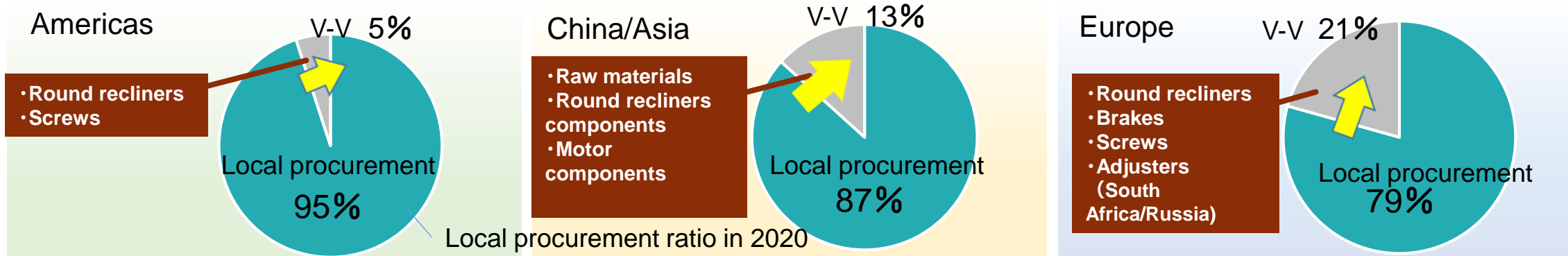


<China region> Local procurement of functional parts

[Ex.: Precision press parts]



Local procurement ratio in each region : Globally deploy completely local procurement by 2025



- ◆ Completely local procurement means to achieve local procurement of raw materials and difficult-to-produce parts.
- ◆ In Asia, we are considering the use of local suppliers that implement a Ji Kotei-Kanketsu (JKK) approach for PP resin material production, from naphtha refining to compounds.
- ◆ Meanwhile, in China, we will also tackle the challenge of procuring difficult-to-produce products locally, including precision press parts (power reclining).

4. Actions in 2025 Mid-term Business Plan

2) Implementation items

2) Improve production systems in China and the Americas ready to respond to production increase at main customer

<China> Improve production systems in the Guangzhou and Tianjin regions

Response to production increase at Toyota

Increase production capacity in Guangzhou region

Increase capacity in Tianjin region

Boost capacity at Guangzhou Intex Auto Parts in preparation for bridge production of customers

Boost capacity at Tianjin Intex Auto Parts to respond to production for new models

Enhance cover sewing capacity centered around Heyuan Toyota Boshoku

Secure cover sewing capacity by utilizing TB Kawashima

Initiatives to improve competitiveness

1) Improve plant profitability : Raise marginal profit and reduce fixed costs based on FY25 roadmap

2) Minimize capital investments : Reduce investments in press and welding processes through south-north complementary production of frames

3) Restructure south-north logistics : Develop efficient logistics systems for frame S/A

4) Review make-or-buy decision : Establish a supply system with reduced large-scale investments (press, urethane)

- ◆ In the Guangzhou region, in order to prepare for bridge production of customers, we will consider production capacity increase at Guangzhou Intex Auto Parts.
- ◆ In the Tianjin region, in view of the trends of customer EV production, we will consider to boost production capacity of Tianjin Intex Auto Parts.
- ◆ In either region, we will not only follow the capacity increase of our customers but toward improving plant profitability we will realize production capacity increase by promoting minimization of capital investment, restructuring of logistics between south and north, and review of make-or-buy decision.

4. Actions in 2025 Mid-term Business Plan



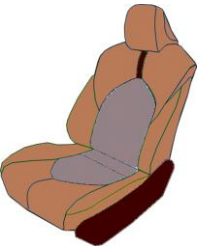


2) Implementation items

2) Improve production systems in China and the Americas ready to respond to production increase at our main customer

<The Americas> Improve production systems in the Indiana region

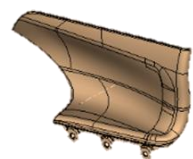

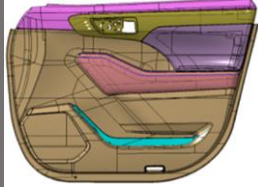


Change production location <Concept> Optimize personnel and integrate processes in the Indiana region

1 Seat frames

Processes	Press, welding Sub-assembly 	Welding Assembly 	Seat Assembly 
Current	Tennessee Plant	 Illinois Plant Indiana Plant	
After restructuring	Tennessee Plant	 Illinois Plant Indiana Plant	

Welding Assembly integrated into Tennessee Plant.

2 Door trims

Processes	Middle board (Covered with fabrics) 	Upper board (Vacuum forming) 	Door Assembly 
Current	Kentucky Plant	 Illinois Plant Indiana Plant	
After restructuring	Kentucky Plant	 Illinois Plant	

Boards integrated into Kentucky Plant. Door Assembly partially integrated into Kentucky Plant.

- ◆ In the Americas, we will improve production systems in the Indiana region in preparation for the production increase at Toyota.
- ◆ In the areas where our plants are adjacent to our customer plants, it is therefore difficult to secure personnel, causing concerns about a rise in labor cost.
- ◆ Under such circumstances, we will integrate the seat frame welding assembly processes at the Illinois and the Indiana plants into the Tennessee Plant, with the aim of integrated production of welding processes.
- ◆ For door trims, on the other hand, we will transfer a part of the processes to the Kentucky Plant.
- ◆ By advancing such optimization of personnel and integration of processes, we will achieve sustainable growth of our business.

4. Actions in 2025 Mid-term Business Plan

Priority action (3)

Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives

Action target

- MONOZUKURI foundation that makes us a reliable company of choice has been established globally.
- We have MONOZUKURI competitiveness that supports the future ISC evolution.

Implementation items

(★: Cases presented)

- 1) Improve work quality by implementation of TQM by all employees
- 2) Realize optimal production and supply systems globally

★3) Establish a procurement base to strengthen global competitive advantage

★4) Strengthen MONOZUKURI competitiveness by utilizing DX

★5) Minimize environmental stress by promoting MONOZUKURI innovation

Implementation points

- 1) Promote understanding and familiarization of TQM activities to secure competitive advantage in the future
- 2) 3) 4) Achieve the target break-even point (BEP)
- 5) Achieve the 2050 Environmental Vision by implementing the environmental management

- ◆ Next, through the third priority action “Improve competitiveness through MONOZUKURI innovation and promote environmental initiatives” , we will establish a MONOZUKURI foundation on a global scale and strengthen competitive advantage that supports the evolution toward a future Interior Space Creator.

- ◆ Today, I would like to present implementation items:
 - 3) Establish a procurement base to strengthen global competitive advantage,
 - 4) Strengthen MONOZUKURI competitiveness by utilizing DX, and
 - 5) Minimize environmental stress by promoting MONOZUKURI innovation.

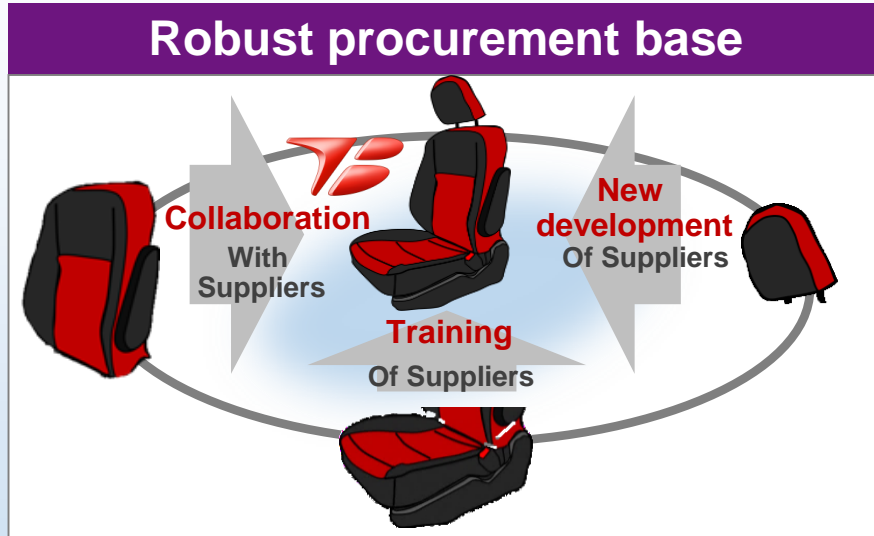
4. Actions in 2025 Mid-term Business Plan

Implementation items

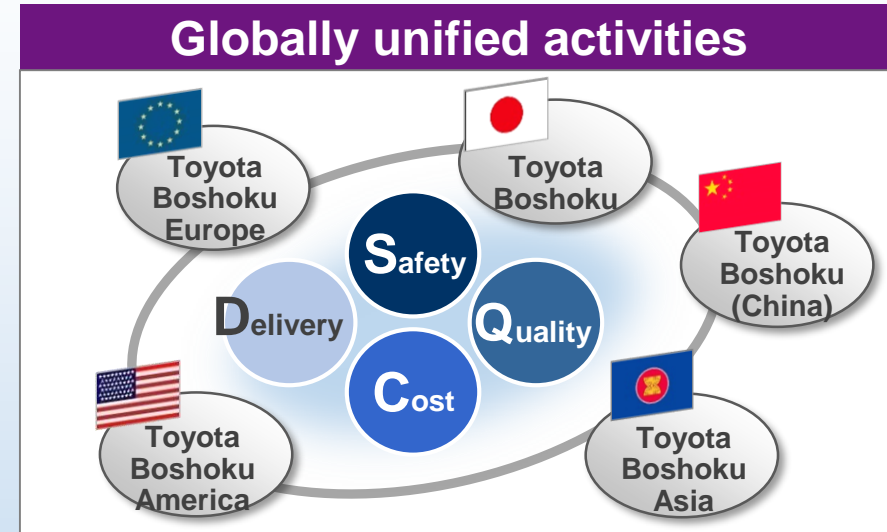
3) Establish a procurement base to strengthen global competitive advantage

Materiality No.3

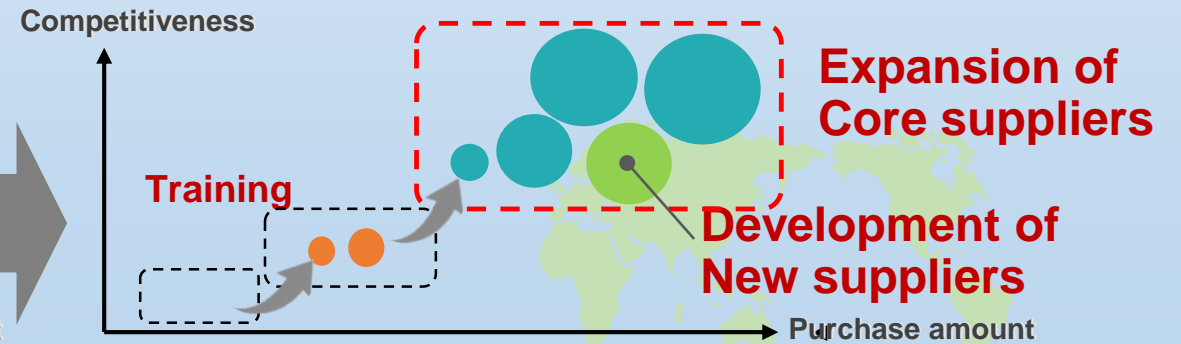
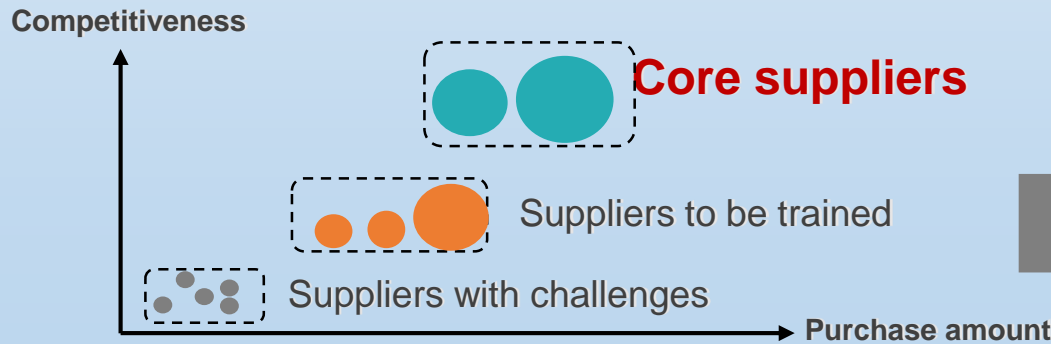
Reforming supply chains :Restructuring supply chains by evaluation and classifying (higher-level **SQCD**)



Current (2020)



Desired status (2025)



- ◆ To enable our company to conduct competitive manufacturing on a global scale, we must promote strong collaboration with many suppliers supporting us in each function, and conduct globally unified activities, based on training, collaboration, and new development of suppliers, with the aim of growing together.
- ◆ In preparation for becoming an Interior Space Creator, we will expand core supplier groups capable of achieving higher-level SQCD(safety, quality, cost, and delivery) through reforming of supply chains.

4. Actions in 2025 Mid-term Business Plan

Implementation items

4) Strengthen MONOZUKURI competitiveness by utilizing DX

MONOZUKURI information sharing via IoT

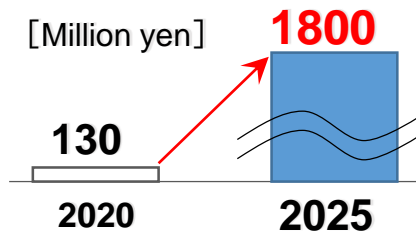
Achieve same quality/productivity globally



Improve productivity and achieve quality consistency for global projects via cross-development of best practices

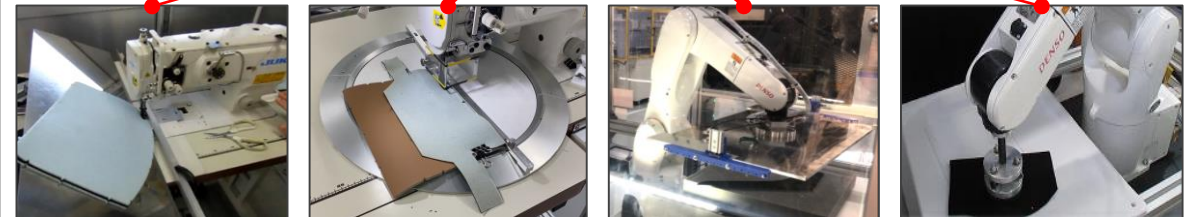
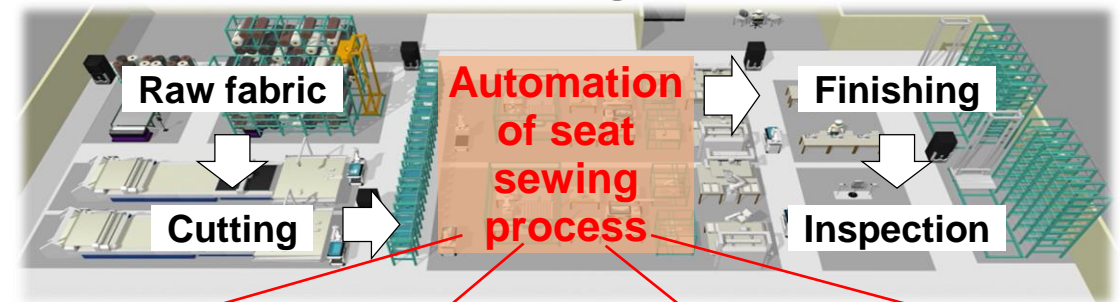
Internal production plants in Japan	Introduction of IoT completed
Overseas plants	Introduction to be complete in 2025

Effect of introducing IoT

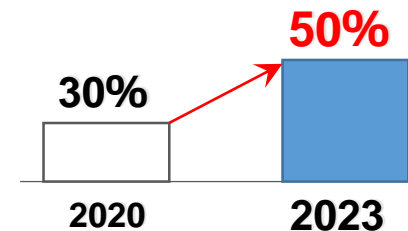


Further boost MONOZUKURI competitiveness via process innovations

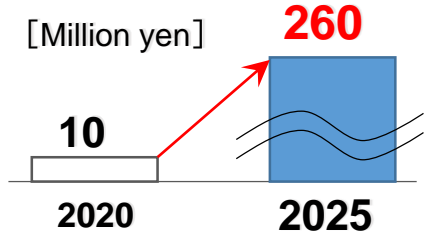
Address drop in the sewing labor force



Ratio of automation in sewing process



Processing cost-cut effectiveness (cumulative)



- ◆ I would like to introduce our effort in “utilizing IoT” and “initiatives for automation through process innovation.”
- ◆ The example on the left shows the use of IoT, to use manufacturing information, including operational, quality and facility information from the production site to realize the same quality globally and enhancement in productivity.
- ◆ The example on the right introduces initiatives for automation through process innovation, in the seat sewing process aiming to boost automation ratio to 50% in 2023.

4. Actions in 2025 Mid-term Business Plan

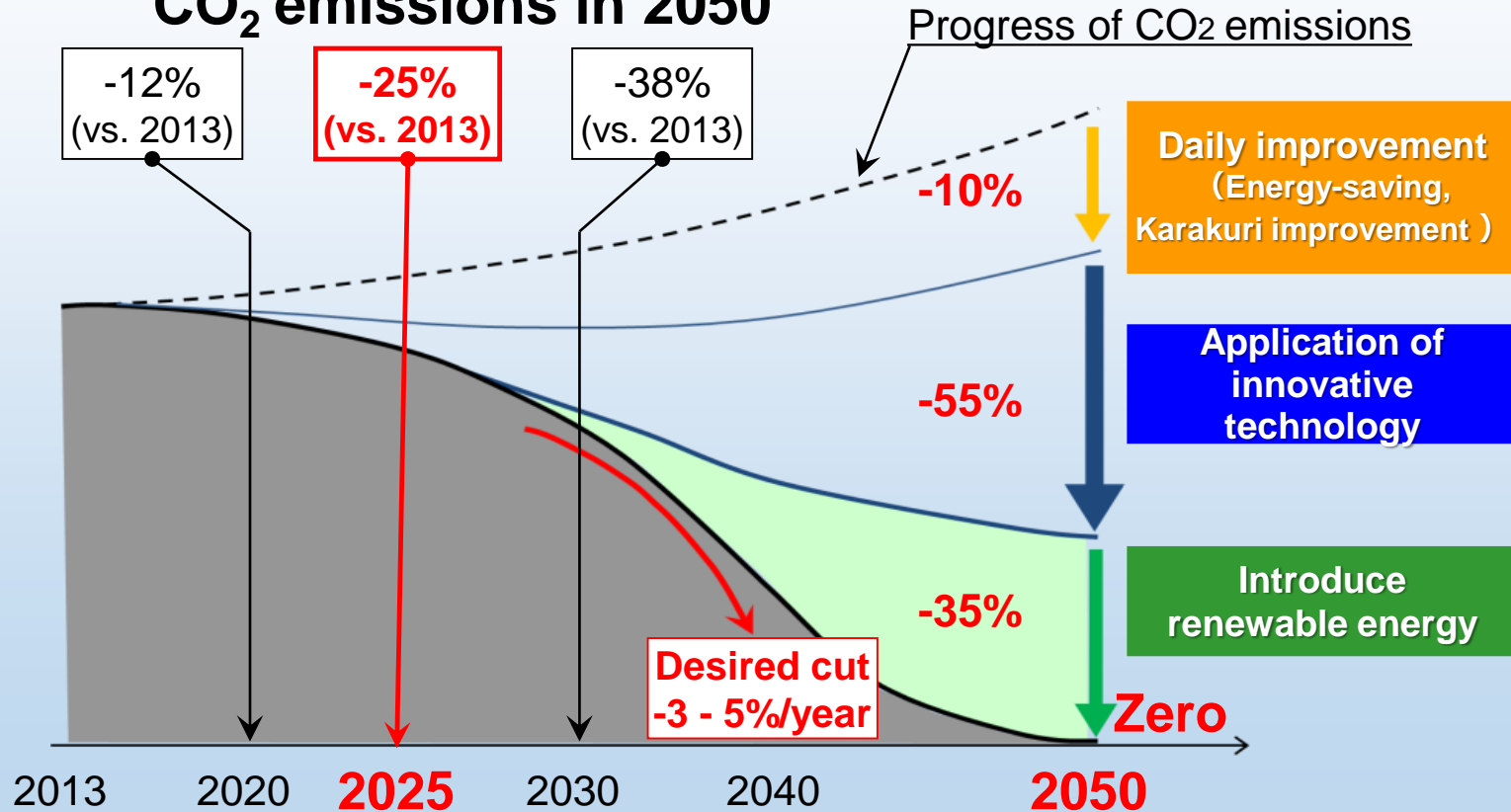
Implementation items

5) Minimize environmental stress by promoting MONOZUKURI innovation

Materiality No.3



1 Toyota Boshoku Group's challenge to achieve zero CO₂ emissions in 2050

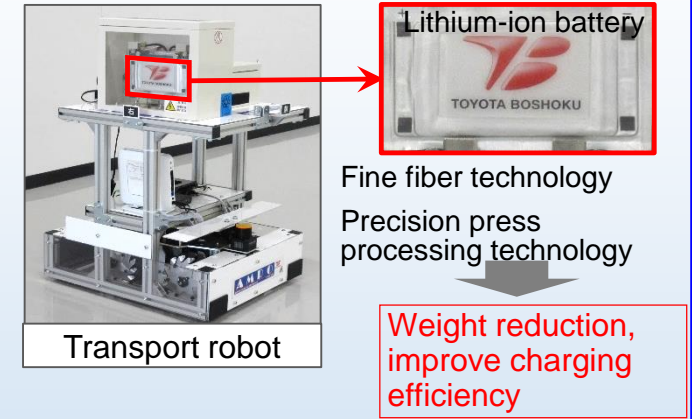


*PPA = Power Purchase Agreement
A direct agreement between a party that generates electricity and a user

Application of innovative technology

Boost productivity with innovative technology

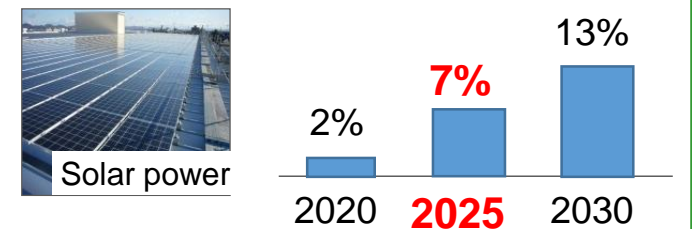
Introduce transport robots that use Toyota Boshoku-brand lithium-ion batteries



Reduce power consumption : -24%
Reduce CO₂ emissions : -150kg/year·unit

Introduce renewable energy

Introduce solar power via PPA*



- ◆ Next I will introduce our efforts to achieve “zero” CO₂ emissions.
- ◆ We have developed a lithium-ion battery pack that applies our innovative technologies for fine fiber and precision press processing. This battery pack is being used as the power source for a transport robot that we developed. We estimate this will enable us to make improvements, curb power consumption by 24% versus conventional lead batteries, and reduce CO₂ emissions by 150kg per unit annually.
- ◆ In addition, in the field of renewable energy, we plan to actively introduce solar energy.

4. Actions in 2025 Mid-term Business Plan

Priority action (4)

Establish an optimal management foundation on a global scale to support sustainable growth, and human resources development

Activity goal

Integrate and utilize management information to **monitor progress in achieving the Mid-term Business Plan and expedite decision making**

Implementation items

★ 1) **Integrate each information** on sales, development, investment, production, personnel, and profits plan, and follow up with the implementation

(★: Cases presented)

★ 2) Expedite decision making (**early identification of issues and implementation of countermeasures**)

★ 3) Develop global human resources capable of contributing to enhancing corporate value

(Nurture company members to contribute globally by respecting diverse values, possessing a spirit of challenge, and teamwork.)

Implementation point

Make efficient investment of resources and maximize returns

- ◆ Priority action (4) is to establish an optimal management foundation on a global scale to support sustainable growth, and human resources development.
- ◆ I will explain the monitoring of progress being made in achieving the goals in the Mid-term Business Plan and the acceleration of decision-making through the integration and use of management information.

4. Actions in 2025 Mid-term Business Plan

Materiality No.5

Implementation item ①

- 1) Integrate each information on sales, development, investment, production, personnel, and profits plan, and follow up with the implementation
- 2) Expedite decision making (early identification of issues and implementation of countermeasures)

Raise the level of the management information infrastructure that has been established, and steadily implement the business plan

Centralization and sharing of information



Conduct analysis and implement countermeasures earlier



Enhance governance and expedite decision making

- ◆ Thus far we have undertaken the improvement by building a management information infrastructure to gather and centralize all data of each functions in a timely manner from around the world, so that top management, managers, and members can globally share data, and enabling timely management decision making and faster on-site Kaizen.
- ◆ We are now moving forward with detailed plan for integration, including sales, development, investment, production and human resources, as the premise of the 2025 Mid-term Business Plan.
- ◆ By using this enhanced management information infrastructure, we monitor the situation and plan to achieve stronger governance and faster decision-making, and steadily implement the business plan.

4. Actions in 2025 Mid-term Business Plan

Implementation items ②

3) Develop global human resources capable of contributing to enhancing corporate value

Materiality No.4

Implement personnel training and proper organizational development

Proper personnel plan

Global personnel guidelines to achieve BEP of 70%

Optimize fixed cost

Assignments based on personnel training/competency

Foster HR development culture through the fortification of OJT

- ③ More appropriate promotions, evaluations, compensation
- ② Major post and management candidate selection/training (RCS·GSC·GSCT/GEDP·GLDP)
- ① Implement HR development cycle, including use of skill map

Visualization of global personnel
Realize global assignments

Develop an organization that nurtures personnel

Train personnel that will realize efficient organizational management

Proper organizational development

Optimize/standardize global organization overall based on management span guidelines and organizational template

Visualization of global level posts

GHR Platform (Globally common HR system)

- Standardize qualification system, job evaluation
- Hybrid, merit system-based HR system that focuses on skill and duties

- ◆ Next I will cover human resources development initiatives.
We are fostering a human resources development culture through the strengthening of OJT, including utilizing a skill map and selecting/training management candidates based on a globally common human resources system.
- ◆ To develop a proper organization, we are working to optimize and standardize the organization at a global level based on management span guidelines and an organizational template.

5. 2025 Mid-term Business Plan Targets

Economic value

- Revenue 1,600 billion yen + α by sales expansion of existing core products and obtaining new OEMs
- Aim at operating profit of 100 billion yen + α while securing budgets for future growth by further improving efficiency in fixed costs and promoting cost reduction

	FY20 forecast (without impact of COVID-19*)	FY25 management target	(100 million yen)
Revenue	13,900	16,000 + α	
Operating profit	670	1,000 + α	
Operating profit ratio	4.8%	6–7%	
ROE	10.5%	10% or higher	
Equity ratio	38.2%	Around 40%	
Net asset	3,522	4,000	
Dividend payout ratio	22%	Around 30%	
Capital investment	(FY18~20 total) 1,700	2,500 + α (FY21–25)	
R&D costs	(FY18~20 total) 1,340	2,000 + α (FY21–25)	

* Without impact of COVID-19: Figure estimated by deducting the impact of production reduction from the annual production volume provided by customers before the impact of COVID-19 arose

- ◆ As the business targets for 2025, we will aim at revenue of 1,600 billion yen + α by sales expansion of existing core products and obtaining business from new OEMs, and operating profit of 100 billion yen + α and operating profit rate of 6 to 7% while securing budgets for future growth by further improving efficiency in fixed costs and promoting cost reduction.
- ◆ Also, while maintaining the capital efficiency with 10% or higher ROE, we will aim at the equity ratio of 40% and the net asset of 400 billion yen as targets, with a view to stable improvement of equity.

5. 2025 Mid-term Business Plan Targets

Capital management

Materiality No.5

Strategic use and optimal allocation of the generated cash flow

<Resources>

Operating cash
flow

Interest-bearing debt

Cash and deposits

<Use>

Shareholder
returns *1

Growth
investments *2

*1 **Hike per-share dividend and Shareholder returns** from various perspectives

*2 **Investments for alliance** to become “home”

Capital investments and **R&D investments** for future growth

- ◆ Going forward, the generated cash flow will be optimally allocated for shareholder returns and investments for future growth.
- ◆ For shareholder returns, we plan to hike our per-share dividend by steadily improving profit based on our thought for stable long term dividend.
- ◆ Also as the investment for future growth, we will strategically and proactively invest for alliance, capital investment and R&D investment in order to sustain and speed up our growth.

5. 2025 Mid-term Business Plan Targets

Social value targets : Set new indicators to measure social value for CSV management

Targets related to people/organizations organized from ESG perspectives

(Perspectives) E: Target figures for 2025 environmental action plan

S: Items related to human resources diversity and relationships with local communities

G: Items related to compliance

	E (Environment)	S (Society)	G (Governance)
Major KPIs	<ul style="list-style-type: none"> CO2 emissions (total volume) Renewable energy introduction rate Logistics CO2 emissions (total volume) Waste generation (per unit) Waste usage (per unit) 	<ul style="list-style-type: none"> Rate of female managers Designated employment rates of persons with disabilities Rate of foreigners in G2 or higher positions KPI on vibrant work environment (work motivation) positive rate Number of fatal accident Rate of participation in QC circle/SQC improvement activities Complaints on environmental abnormalities Sustainable tax payment to local or national authorities 	<ul style="list-style-type: none"> Compliance with timely and appropriate disclosure (Timely disclosure rate 100%) Number of confidential information leaks Number of serious violation of law Supplier's satisfaction
Major KGIs	<ul style="list-style-type: none"> Obtain CDP water A-rank Obtain CDP climate change A-rank, etc. 	<ul style="list-style-type: none"> Selected as a Health & Productivity Management Outstanding Organization (White 500) Selected as FTSE, MSCI, etc. 	<ul style="list-style-type: none"> Selected as an excellent disclosure firm (within top 3 firms), etc.

- ◆ Lastly, we set new indicators to improve social value for CSV management.
- ◆ We categorized our social value goals from the perspectives for E (environment), S (society) and G (governance) as KPIs for achieving aspects of materiality.
- ◆ Going forward, we will solve social issues through our core business, with the goal of fulfilling the expectations of every one of our stakeholders.



"Open the door, it's a big world outside."

Let's Open the door Tackle the challenges together
to a new century

<Notes>

Forecasts for the future described in this material are available at this time. It is an expected value judged by the Company based on this, and includes uncertainty and risk.

Therefore, the actual result may differ from the earnings forecast due to various factors.。

- ◆ Toward achieving its vision, Toyota Boshoku will steadily achieve the 2025 Mid-term Business Plan.
- ◆ We have renewed our determination to make Group-wide efforts to create the future of Toyota Boshoku.
- ◆ Thank you very much for participating in this meeting.
- ◆ I would like to ask you for continuous understanding and support.
- ◆ This is the end of my explanation on 2025 Mid-term Business Plan.