

FY2021 (Year ending March 2021)

Business Briefing



Yaris Cross

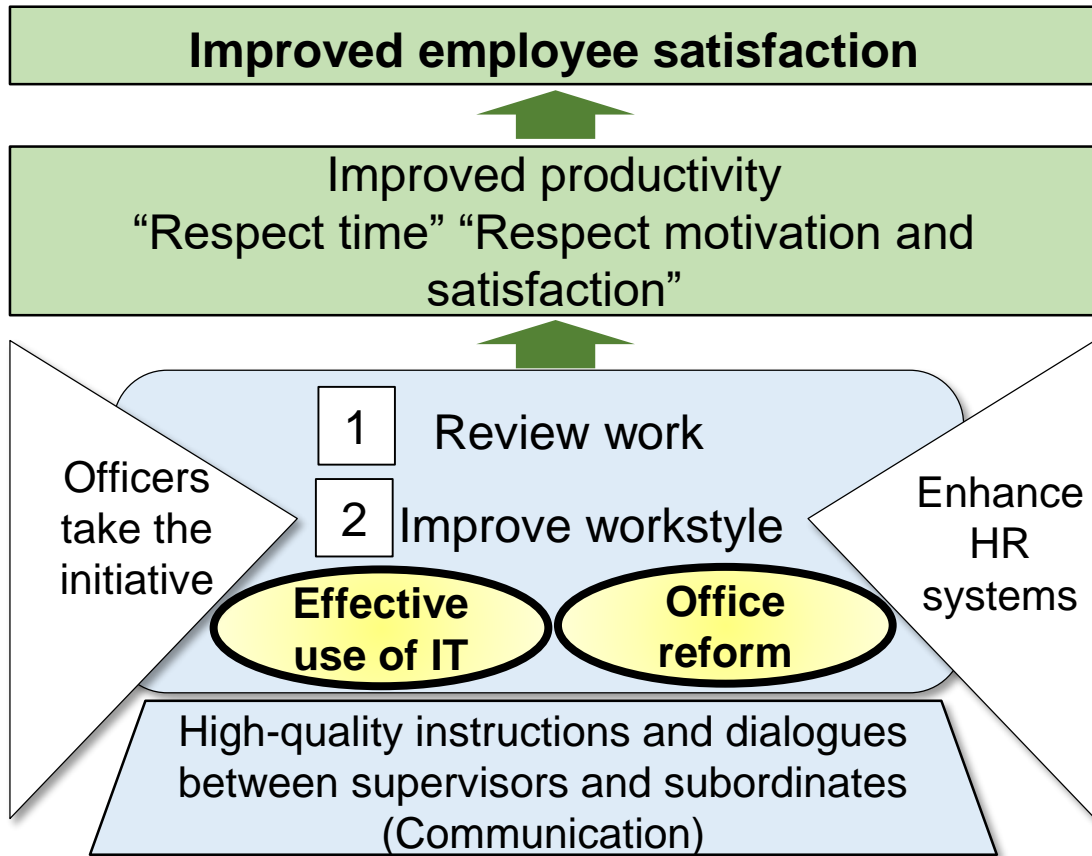
Date: May 21, 2021



SIENNA

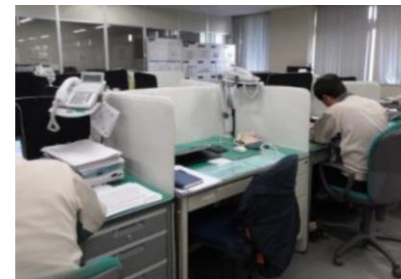
1. Measures against COVID-19

Actions to “vibrant workstyle innovation”

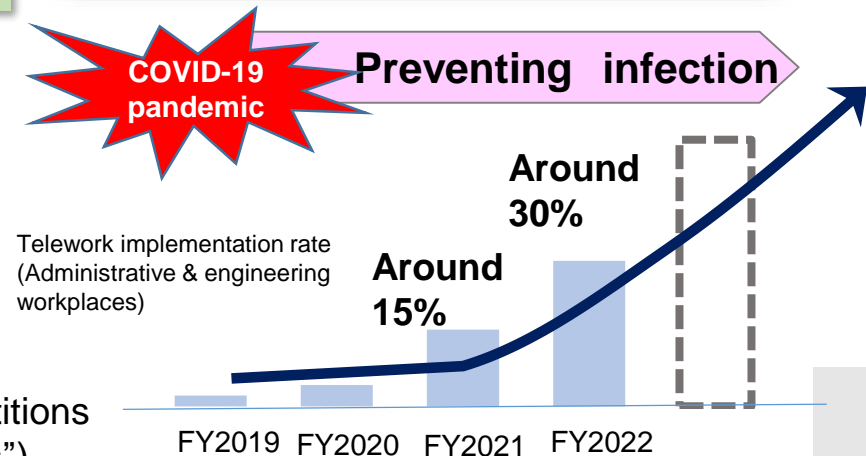


1 Improve workstyle

■ Promoting telework through effective use of IT and office reform



Splash prevention with partitions (To avoid the “Three Cs”)



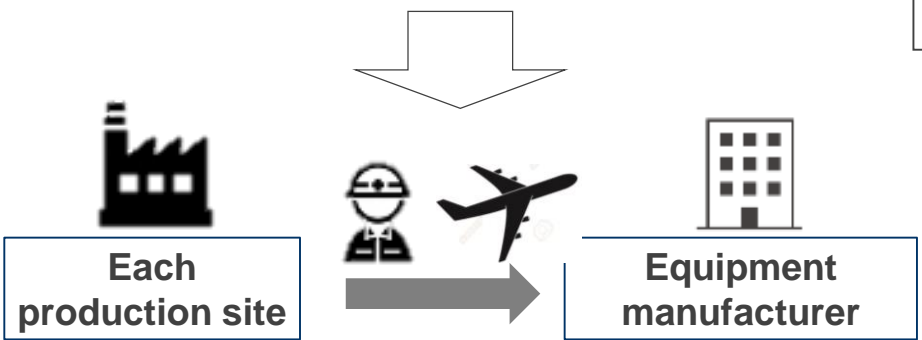
1. Measures against COVID-19

2 Review of the way to work

■ Remote function verification before and after the introduction of equipment by promoting DX

Before

Representatives gather from different sites to verify equipment functions



Time lag, loss from traveling, risk of infection

After

Verification of equipment functions from remote sites*

* Equipment specifications, operation/handling check, process capability, how to set conditions, etc.

MONOZUKURI Innovation Center
<Process development>

Equipment manufacturer
<Producing equipment>



Live relay

Each production site
<Introducing equipment>



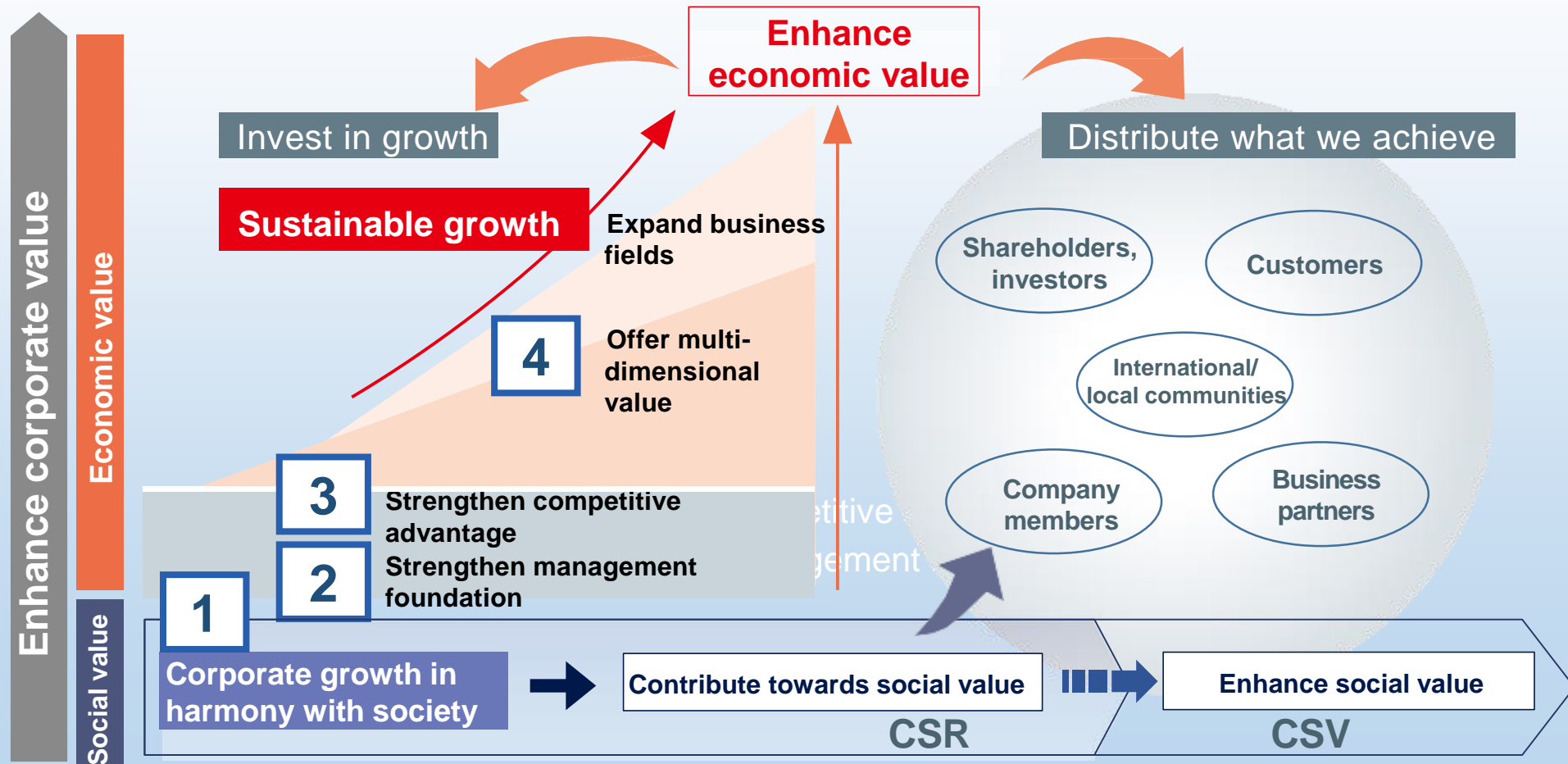
Reduction of loss from traveling and risk of infection



2. Review of 2020 Mid-term Business Plan

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.



2. Review of 2020 Mid-term Business Plan

1 Corporate growth while fulfilling our responsibility in harmony with society

Major actions to improve CSR

(1) E < Environment >

① 2020 Environmental action plan

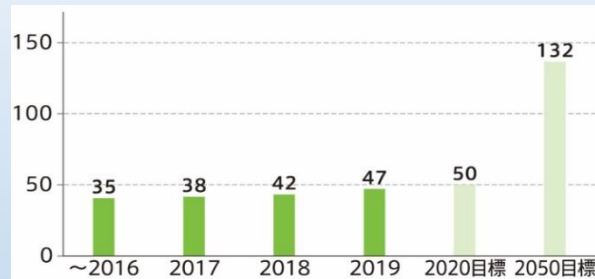
Formulated the environmental action plan as a five-year implementation plan and achieved all targets for 2020.

<An example of the action plan>



6 Challenges of planting 1.32 million trees as part of reforestation activities (132nd anniversary for establishment of business)

Goal : Number of trees planted (cumulative total) 500,000 trees
⇒ Result : 530,000 trees



② Result of the third-party assessment

Selected as the “highest rating” in the Supplier Engagement Rating conducted by CDP※1



※1 CDP is an NGK established in the U.K. in 2000. It operates a global information disclosure system.

(2) S < Social >

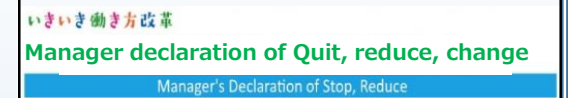
Among 8 items of the target KPIs, 2 items have shown improvement, and the remaining 6 items have stayed same level.

<An example of the action plan>

1) Actions to improve vibrant KPIs

- ① Greeting Activity
- ② Promoting the “Quit, reduce, and change” activity
- ③ Promoting telework
- ④ Improving business quality by promoting TQM activities

～「Quit・Reduce・Change」Activity～



inventory of work (determining whether it is necessary or not), review of meetings

(Result) By FY2020 Reduce working hours by 5 hours per person per month.

(3) G < Corporate governance >

Achieved all the 4 KPI targets (zero violation cases, etc)

<An example of the action plan>

1) Actions to take countermeasures against confidential information leakage

- (1) Establishment of the Basic Policy on Information Security
- (2) Implementation of targeted email training and e-learning.

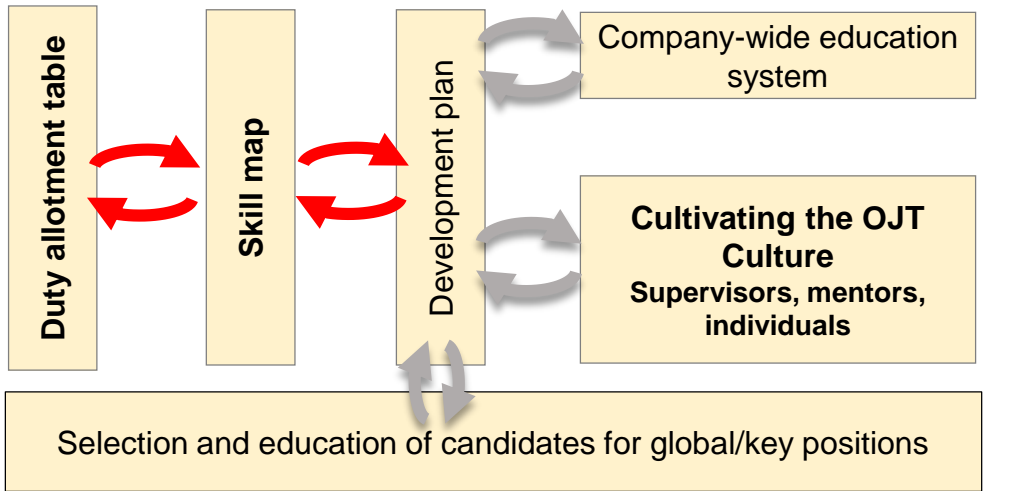
2) Actions to improve supplier satisfaction

- (1) Quality committee
- (2) CSR committee
- (3) Safety committee
- (4) Video distribution and remote holding of suppliers' general meetings and regular meetings (bimonthly)

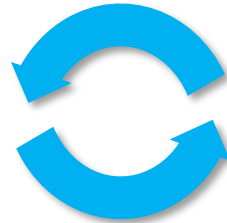
2. Review of 2020 Mid-term Business Plan

2 Strengthen management foundation Develop global human resources capable of contributing to enhancing corporate value

(1) Develop the structure on personal training and effective use of competency

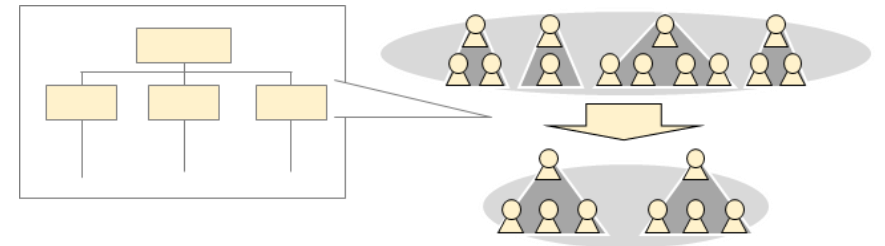


Organization that nurtures personnel



Making maximum use of individual abilities

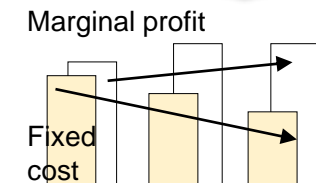
(2) Optimization and standardization of organizational development



Management span guidelines and organizational templates of an overall global organization.

(3) Proper personnel plan

Global personnel guidelines to achieve **BEP of 70%**



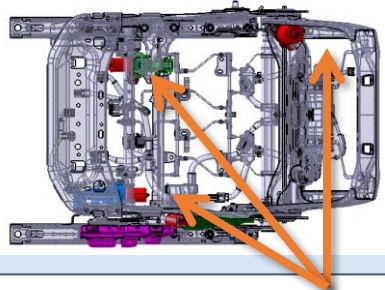
[Base] GHR Platform (global common HR system)

2. Review of 2020 Mid-term Business Plan

3 Strengthen competitive advantage

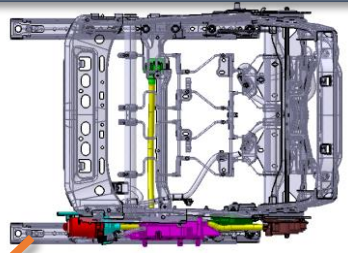
(1) 1-motor power seat Newly developed gear box

<General power seat>



Reduced motors, W/H and other parts that were set for each function

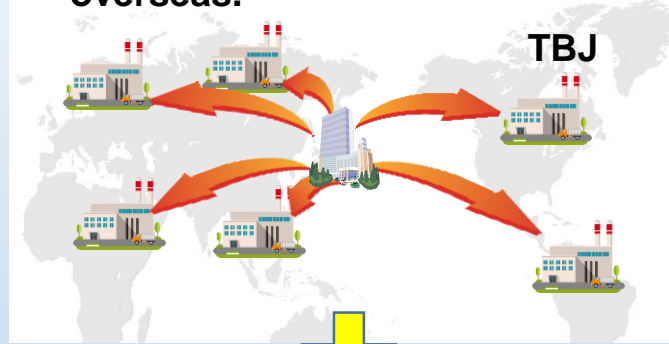
<Developed product>



Reduced motors to one by using a clutch box to distribute power

Realized a seat functionally equivalent to Power 6 way with "1-motor"

(2) Improving development efficiency Promoting self-efficient operation of R&D overseas.



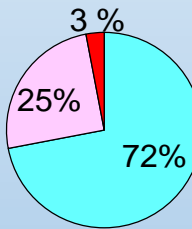
* Established in Sep. 2020



Control Collaboration



■ Toyota, strategic OEMs
□ Advanced/preceding development
■ Local OEMs



In addition to development mainly In Japan, strengthened collaboration through the R&D Steering Committee

(3) Demonstration experiment for autonomous driving Participated in Aichi Prefecture's project for the social implementation of autonomous driving with "MOOX" @Aichi Expo Memorial Park

- ① Tailored interior space that satisfies needs for diverse services
- ② Providing contents linked to vehicle location information, and five-sense control system
- ③ Occupant status monitoring and sterilizing system to provide safe services



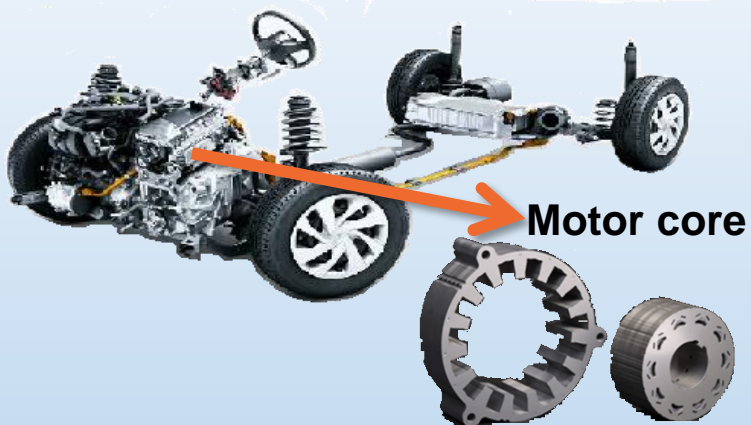
Confirmed market acceptability of providing new values while moving.

2. Review of 2020 Mid-term Business Plan

4 Offer multi-dimensional value / Expand business fields

(1) Motor core for HV

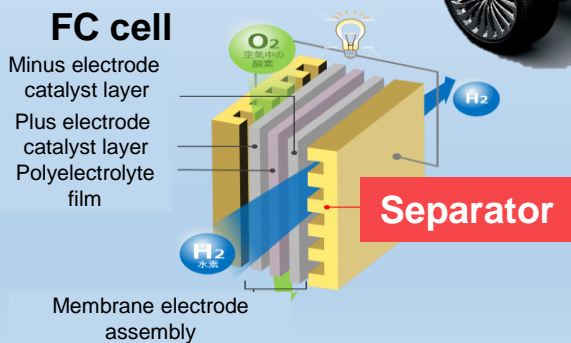
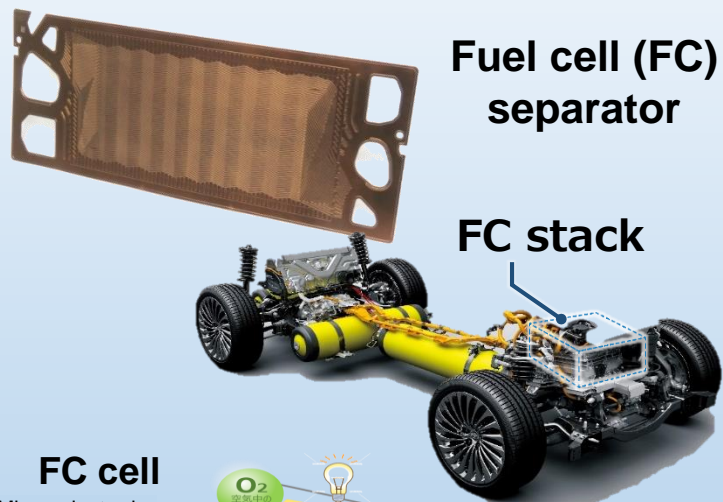
Building a highly extensible production system



Production line completed and mass production started

(2) Separator for FC stack

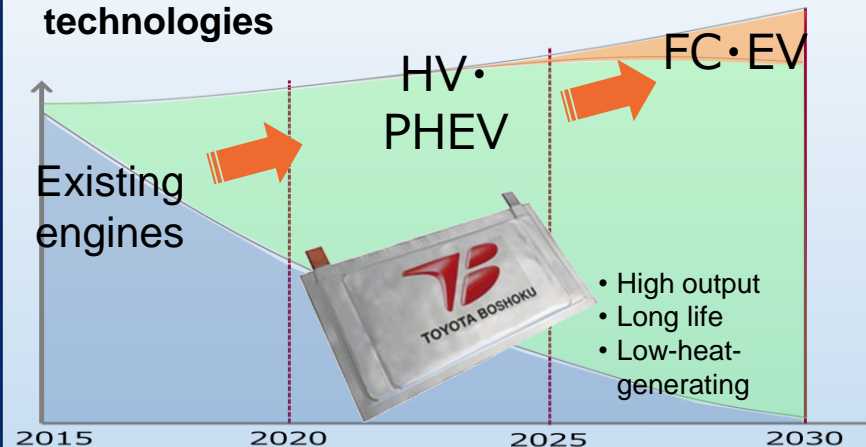
Utilizing our unique precision press and mold technologies



Secured a productive capacity 10 times what we have so far

(3) LI-batteries

Utilizing our spinning and precision press technologies



Our productive capacity on the pilot line improved

2. Review of 2020 Mid-term Business Plan


1) Financial results







2 **3** **4**
(100 million yen)

	FY2020 Actual	FY2021 Actual
Revenue	13,726	12,721
Operating profit	477	571
Operating profit margin	3.5%	4.5%
ROE	8.5%	10%
Equity ratio	37.3%	39.6%
Net asset	3,217	3,696
Dividend payout ratio	40.6%	27.0%
Capital Investment	587	467
R&D costs	459	418

Despite the production cutback due to the Covid-19, Increase in profit compared to the previous year due to strengthening of the business structure

2) Non-financial results

1  : Improved from previous FY () : FY2020 Result

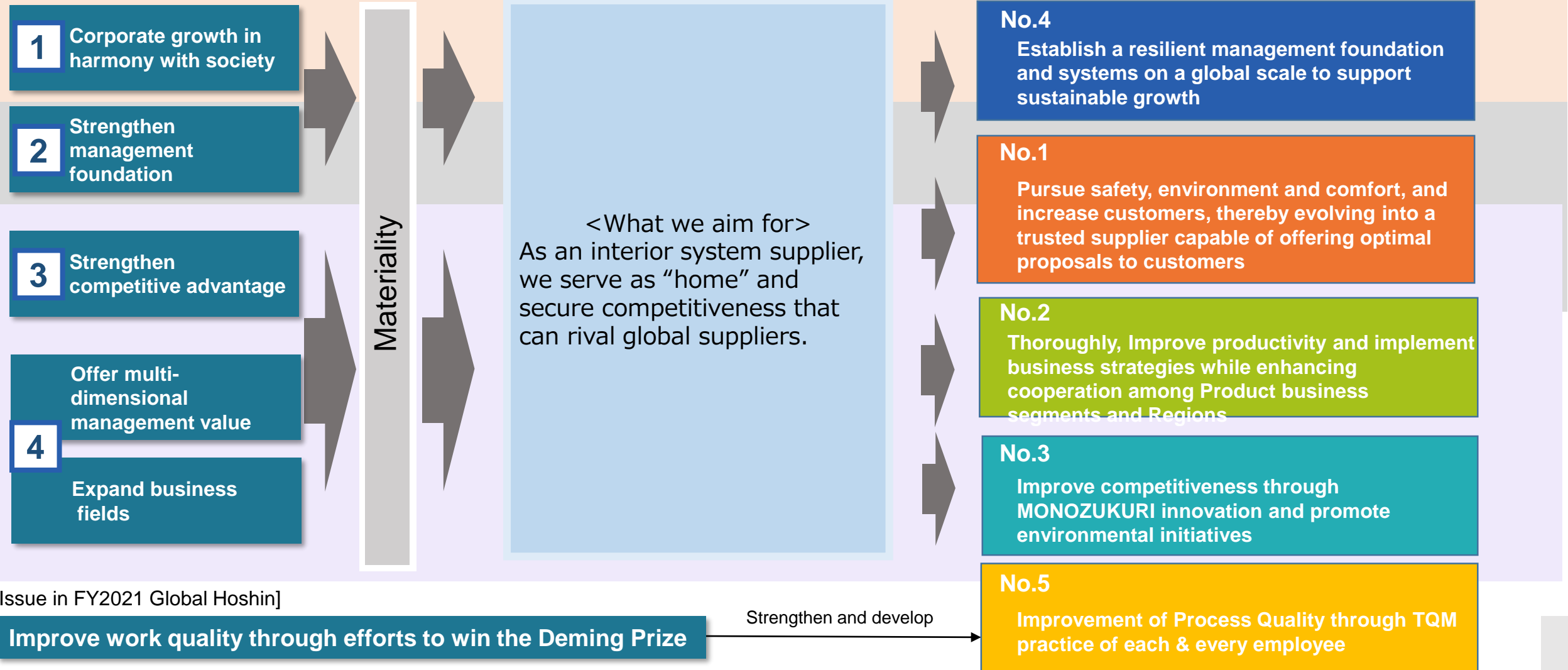
	E (Environmental)	S (Social)	G (Corporate governance)	
Major KPIs	CO2 emissions (total volume) 	283.8t Down 5% from FY2020	Rate of female managers 2.0% (1.9%)	Compliance with timely and appropriate disclosure (Timely disclosure rate) 100% (100%)
	Renewable energy introduction rate	2% (Compared to FY2020: -)	Employment rate of persons with disabilities 2.39% (2.21%)	
	Logistics CO2 emissions (total volume) 	10,389 t (Down 3.5% from FY2020)	Rate of foreigners in G2 or higher positions 0.12% (0.11%)	Number of confidential information leaks 0 (0)
			Vibrant workstyle KPI (work motivation) positive rate 	
	Waste generation (per unit) 	2.58 t/1,000 units (Down 3% from FY2020)	Number of fatal accidents 0 (0)	Number of serious legal violations 0 (0)
			Rate of participation in QC circle 	
	Water usage (per unit) 	0.22/km ² units (Down 18% from FY2020)	Number of environmental abnormalities and complains 1 (1)	Supplier satisfaction Injustice reports: 0 (same as above)
			Sustainable tax payments to local or national authorities Taxes paid in all relevant countries (same as above)	

CO2 emissions and other environmental and corporate value KPIs improved year on year.

3. Concept of Actions for FY2022

Actions for FY2022 based on the 2025 Mid-term Business Plan

Issues from the 2020 Mid-term Business Implementation Plan



3. Concept of Actions for FY2022

Organizational structure for implementation of actions for FY2022 1 2 3 4 5 : Corresponding action No. in FY2022

1. Revision of the executive officer system

- (1) Introduce **Chief Officers system** with a view to promoting cross-functional collaborations and expediting management decision-making and execution
- (2) To promote organizational improvement, **proactively appoint young employees in KANBUSHOKU positions(G0,G1)** who are competent in specialized fields as **Field Chief or Center Chief**



2. Major organizational changes

In response to management issues

- (1) Accelerate efforts to **become an Interior Space Creator**...Interior Space Visioneering Center(reorganized)
- (2) Utilize **digital transformation(DX)** ...DX&IT Promotion Field(newly established)
- (3) **Integrated management of logistics** from suppliers to plants...Logistics Field(newly established)
- (4) Promote **carbon neutral** ...Carbon Neutral Environment Division(reorganized)
- (5) **Streamline** overlapping functions ...Japan Region Plant Management Segment(reorganized)

CTO	1
CISO	3
CMO	3
CMO/CTO	3
CMO	3

4. Actions for FY2022

Action No. 1

Pursue innovation for next-generation seat devices

Materiality No. 3

(1) Long slide rail

The front-rear movable load mechanism has significantly improved

First in the world



While adjusting the front slide, forward sliding by the seat's own weight can be inhibited.

When long slide is operated, seat can slide with little force.

Expected effect) Increase in revenue: 10 billion yen / FY2026

Sensor control

Multi-functions

Electrification



(2) 1-motor power seat

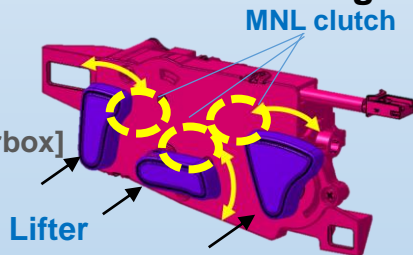
Realize the equivalent performance and lower price by reducing the number of power parts aiming to expand sales to broad range of vehicle models.

Expected effect) Increase in revenue: 2 billion yen / FY2026

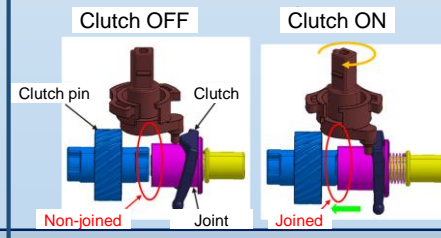
First in the world

[Newly developed gearbox]

Reclining
Lifter

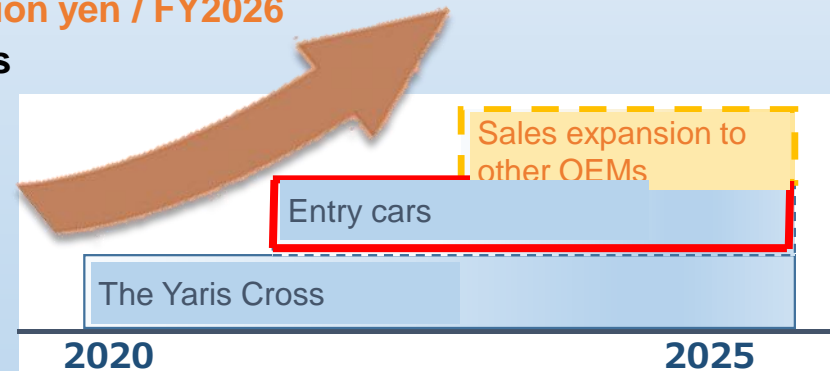


MNL clutch operating part



Optimal production

Strengthen competitiveness



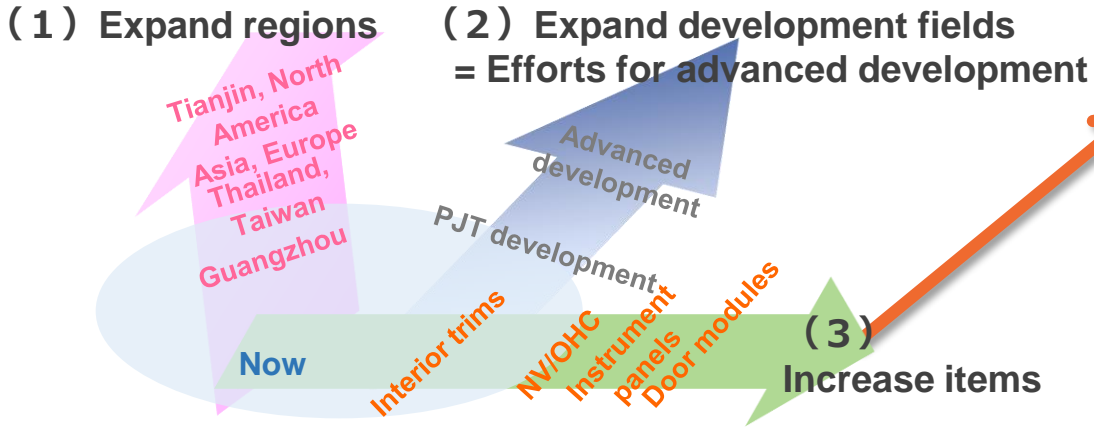
Advance design for each vehicle model to expand the range of applicable models and increase revenue

4. Actions for FY2022

Action No. 1

Expand the interior SS field on a global scale

<Expanding business fields>



[Fig. 1 Efforts to expand fields]

● Adoption decided
○ Efforts for adoption being made

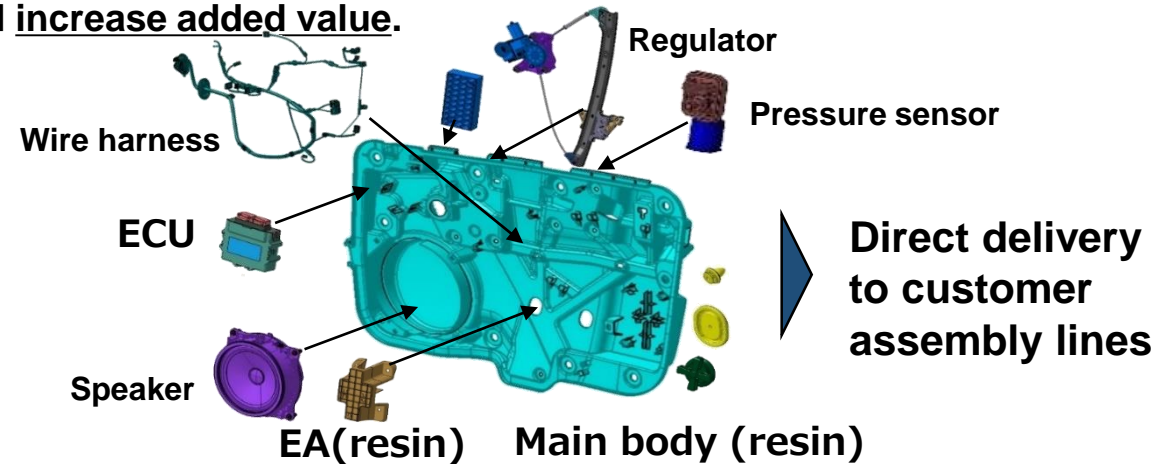
Vehicle model	SOP	(1) Region				(2) Development field	(3) Item		
		China	North America	Asia	Europe		NV OHC	Instrument panel	Door module
B	2023	-	●	-	-	●	●		
C	2023	-	-	-	-	●	●	○	
D	2023	-	-	-	-	●	●		●
E	2024	-	●	-	●	●	●		

Expected effect) Increase in revenue: 30 billion yen / FY2026

3) Increase in the number of applicable items

<Introducing activity examples >

- ① Instrument panels: Acquiring skills and techniques in design, production and quality assurance in preparation for the future increase in applicable items
- ② Door modules: Putting wire harness, regulator and other necessary parts in modules to facilitate assembly of door trims and increase added value.



By advancing efforts to expand business fields, we will expand our capacity as an interior system supplier and serve as "home" in the interior area.

4. Actions for FY2022

Action No. 1

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

Enhance advanced development (strengthen collaboration within Group)

Status of item development for MX191 exhibited at 2019 Tokyo Motor Show



While launching elemental technologies in advance, advance system development and demonstration tests, thereby respond to the autonomous driving market

4. Actions for FY2022

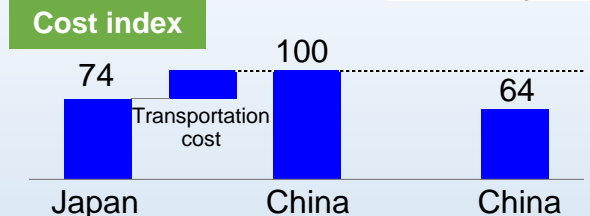
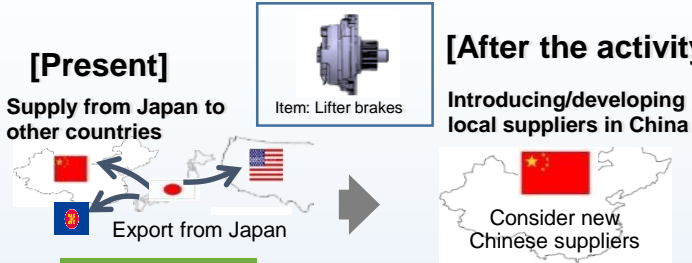
Action No. 2

Solidify foundation for global production and supply structures

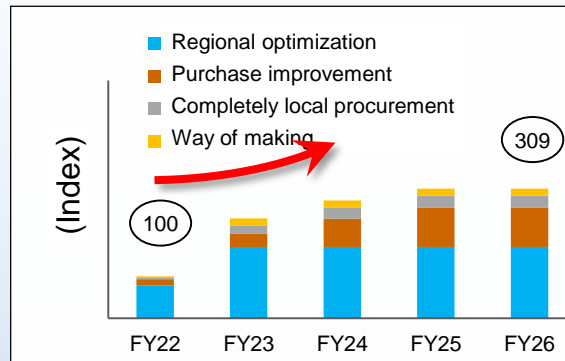
(1) Promote completely local procurement in Asia and China to raise marginal profit

Activity to develop new suppliers

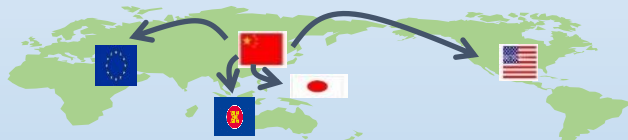
Case of promoting local procurement of lifer brakes



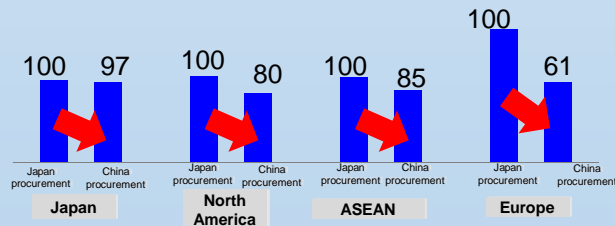
[Asia region] [Effects of cost reduction]



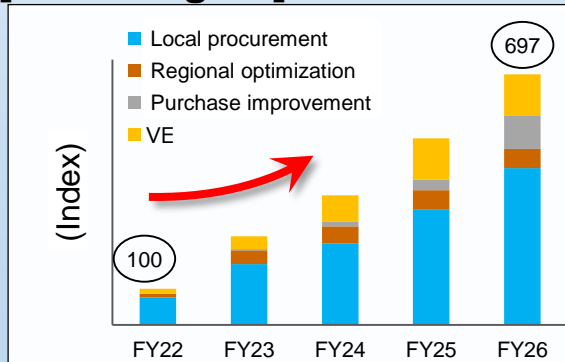
(Future) Consider global deployment



Supply from China to other countries have cost effects globally.



[China region] [Effects of cost reduction]

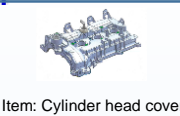


(2) Actions for completely local procurement

■ Effort to adopt lower-grade materials

For BCP

Case of difficulty in supply of PA66 material



<Present issues>

1) Difficulty in securing material 2) Price spike

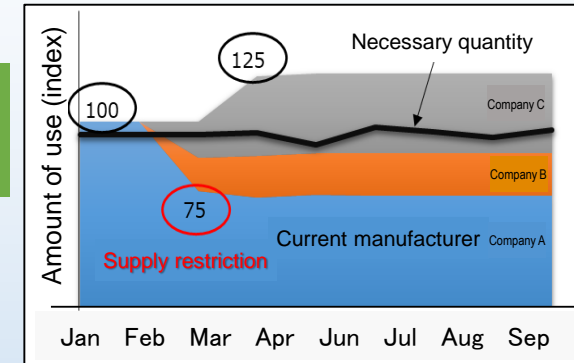
<Response>

STEP 1: Mutually complement materials between regions (to secure quantities)

(Measure)

Current Supplier A [Supplier B (added)
Supplier C (added)

[Securing necessary quantities]

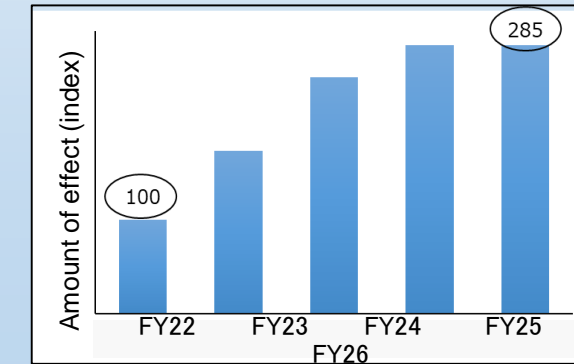


STEP 2: Change to more versatile, lower-priced material

(Measure)

PA66 → PA6

<Effects>



* "Completely local procurement" means to achieve local procurement of raw materials and difficult-to-produce parts.

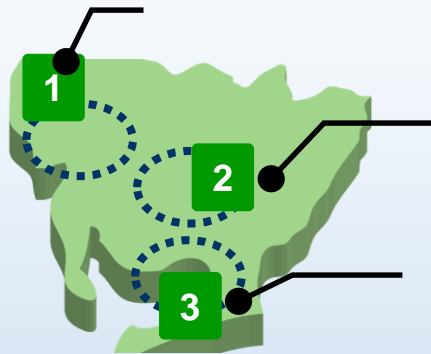
4.Actions for FY2022

Action No.3

Realize optimal production and supply systems globally

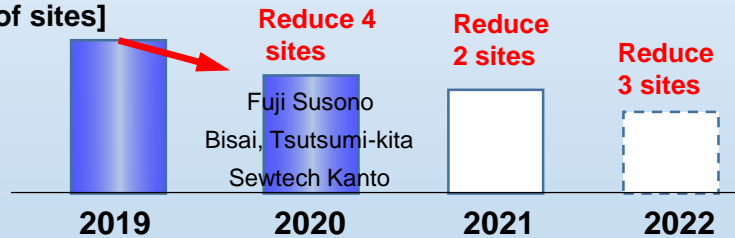
(1) Japan Region

[Actions for priority 3 regions]



[Toyota region]
Accelerate restructuring focusing on concentration of production processes and integration of logistics

[Streamlining of sites]



- Expand production restructuring including suppliers
- Accelerate CO2 emissions reduction through streamlining of logistics

(2) The Americas

[The Americas]

Process restructuring started in Indiana, Illinois, and Kentucky

	Door trims (implementation started)			Seat frames (implementation plan being examined)		
	Middle board (Rolling surface skin on base metal)	Upper board (vacuum forming)	Door Assy	Press, welding S/A	Welding Assy	Seat Assy
Process						
Present	Kentucky region	Illinois region Indiana region		Tennessee region	Illinois region Indiana region	
FY2022	Kentucky region	Illinois region		Tennessee region	Illinois region Indiana region	
After restructuring FY2024	Kentucky region	Illinois region (Door Assy only)		Tennessee region	Illinois region Indiana region	

Integrate into Kentucky region

Integrate into Tennessee region

• For door trims, we will integrate the injection molding and assembly processes in the Indiana region to Kentucky region.

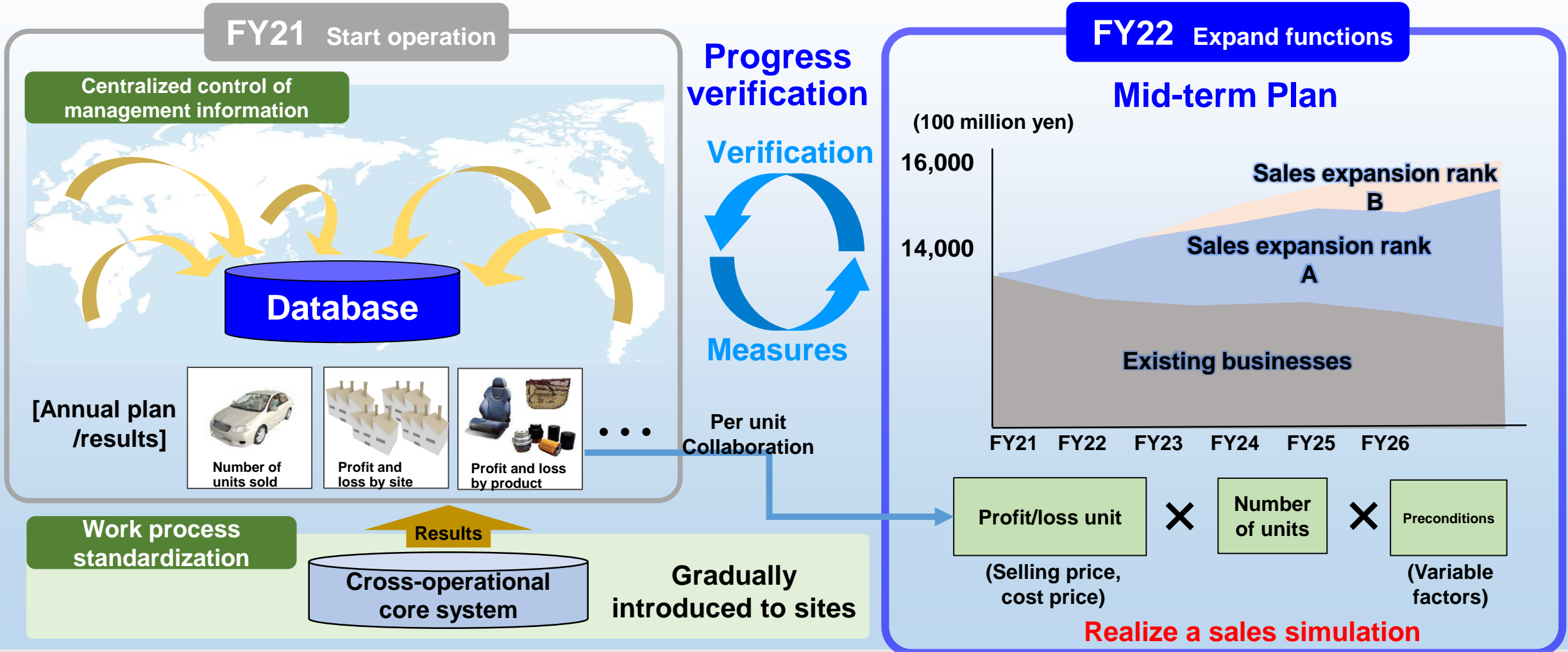
• We will also integrate the seat frame production in the Illinois region to the Tennessee region.

4. Actions for FY2022

Action No. 4

Build management information infrastructure

Based on profit/loss unit, formulate a mid-term plan and establish infrastructure for progress verification



5. FY2022 Targets

Financial Target

※Non-financial targets are currently under review (100 million yen)

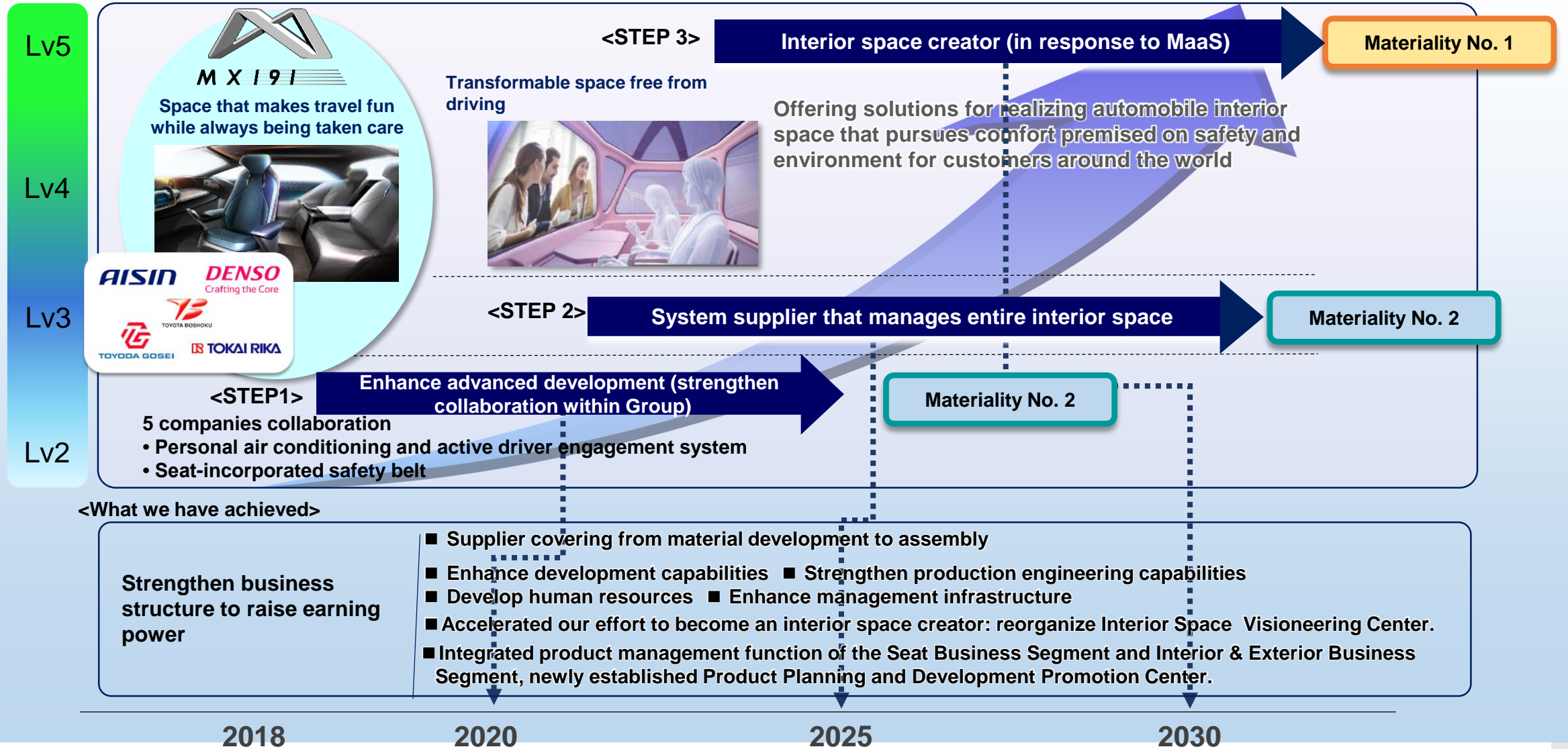
	FY22 full-year forecast	FY26 management target
Revenue	14,000	16,000+ α
Operating profit	720	1,000 + α
Operating profit margin	5.1%	6~7%
ROE	13.3%	10% or higher
Equity ratio	41.3%	Around 40%
Net asset	4,060	4,000
Dividend payout ratio	25.4%	Around 30%
Capital Investment	500	(FY22 to 26cumulative total) 2,500+α
R&D costs	420	(FY22 to 26cumulative total) 2,000+α

Steadily implement initiatives to achieve targets for FY2021 by leveraging earning power developed through the 2020 Mid-Term Business Plan

6. Actions in 2025 Mid-term Business Plan

Action No. 1

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



6. Actions in 2025 Mid-term Business Plan

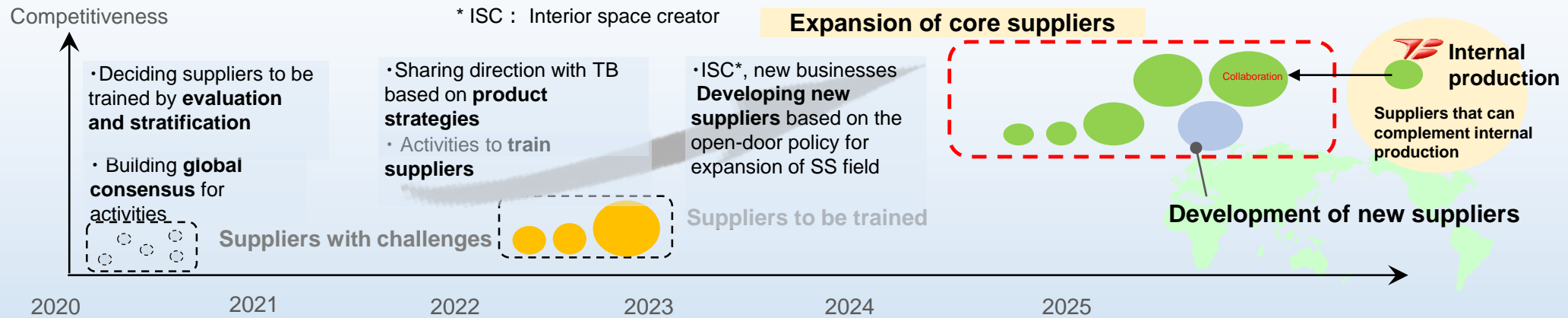
Action No. 2

Establish a procurement base to strengthen global competitive advantage

Materiality No. 3

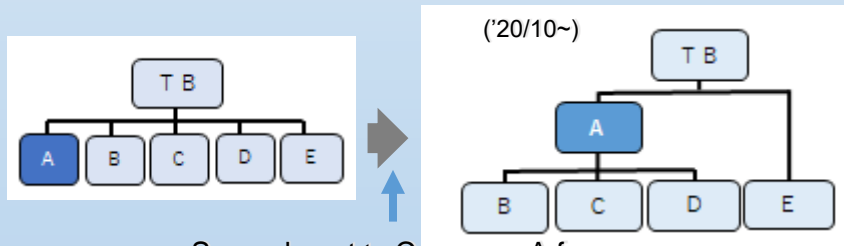
Reforming supply chains : Restructuring supply chains by evaluation and stratification (higher-level SQCD)

Target: Roadmap for 2025



Specific cases

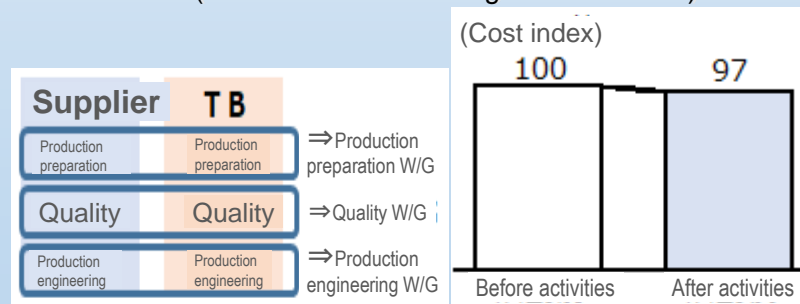
(1) Training core suppliers (cover manufacturers)



Secondment to Company A from each function of TB

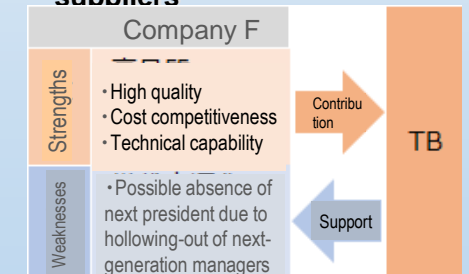
Enhance functions of company A, and develop the company into a core supplier

(2) Supplier structure reform activity (door surface skin rolling manufacturers)



By promoting integrated activities between TB and suppliers, enhance supplier earnings base.

(3) Complement weaknesses of suppliers



Sharing strengths and weaknesses through management meetings, provide support for business succession issue, and develop next-generation managers

6. Actions in 2025 Mid-term Business Plan

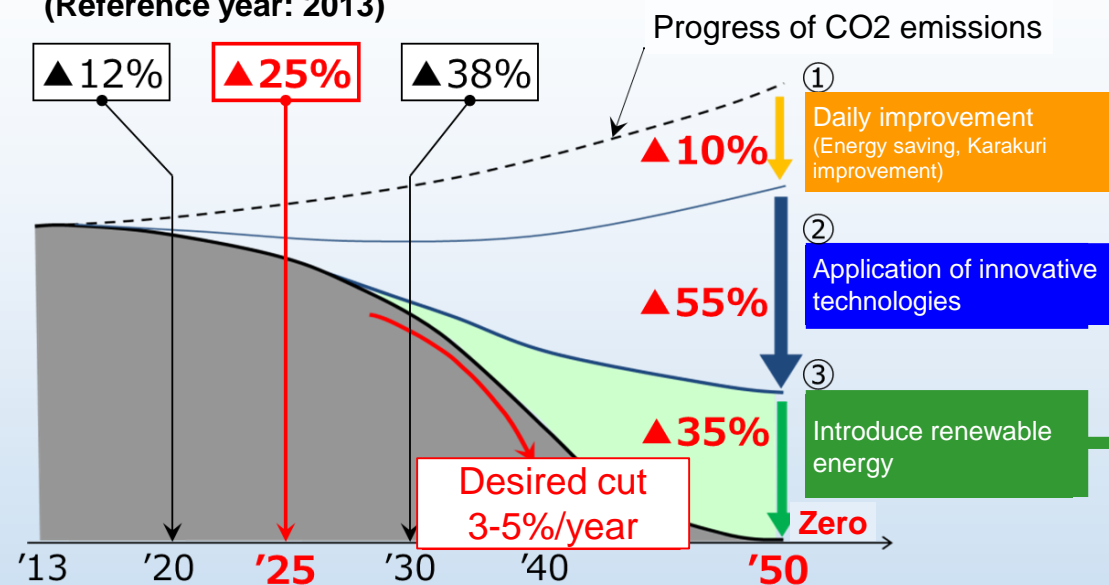
Action No. 3

Minimize environmental burden by promoting MONOZUKURI innovation

Materiality No. 3

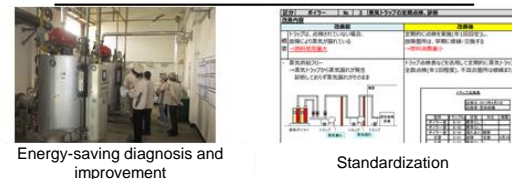
「Actions to carbon neutral」

(1) Reducing Toyota Boshoku Group's CO2 emissions to zero in 2050 (Reference year: 2013)



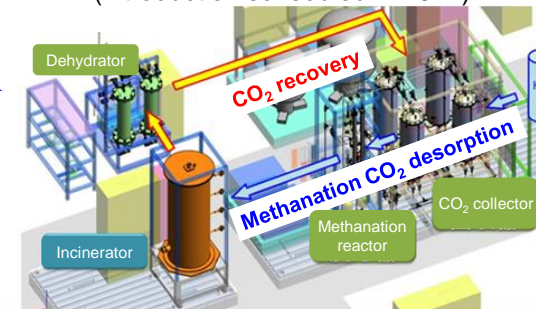
① Promote daily improvement

Promote 40 energy-saving items



② Application of innovative technologies

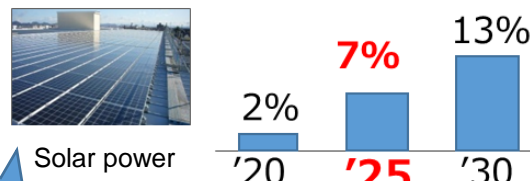
CO2 recovery and methanation system experimentation plant (introduction scheduled in 2022)



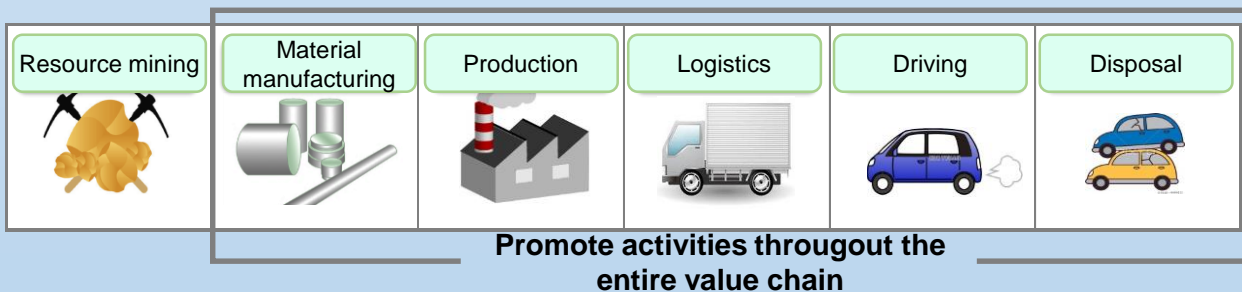
* PPA: Power Purchase Agreement
A direct agreement between a party that generates electricity and a user

③ Introduce renewable energy

Introduce solar power via PPA*



(2) Reducing life cycle CO2 emissions to zero

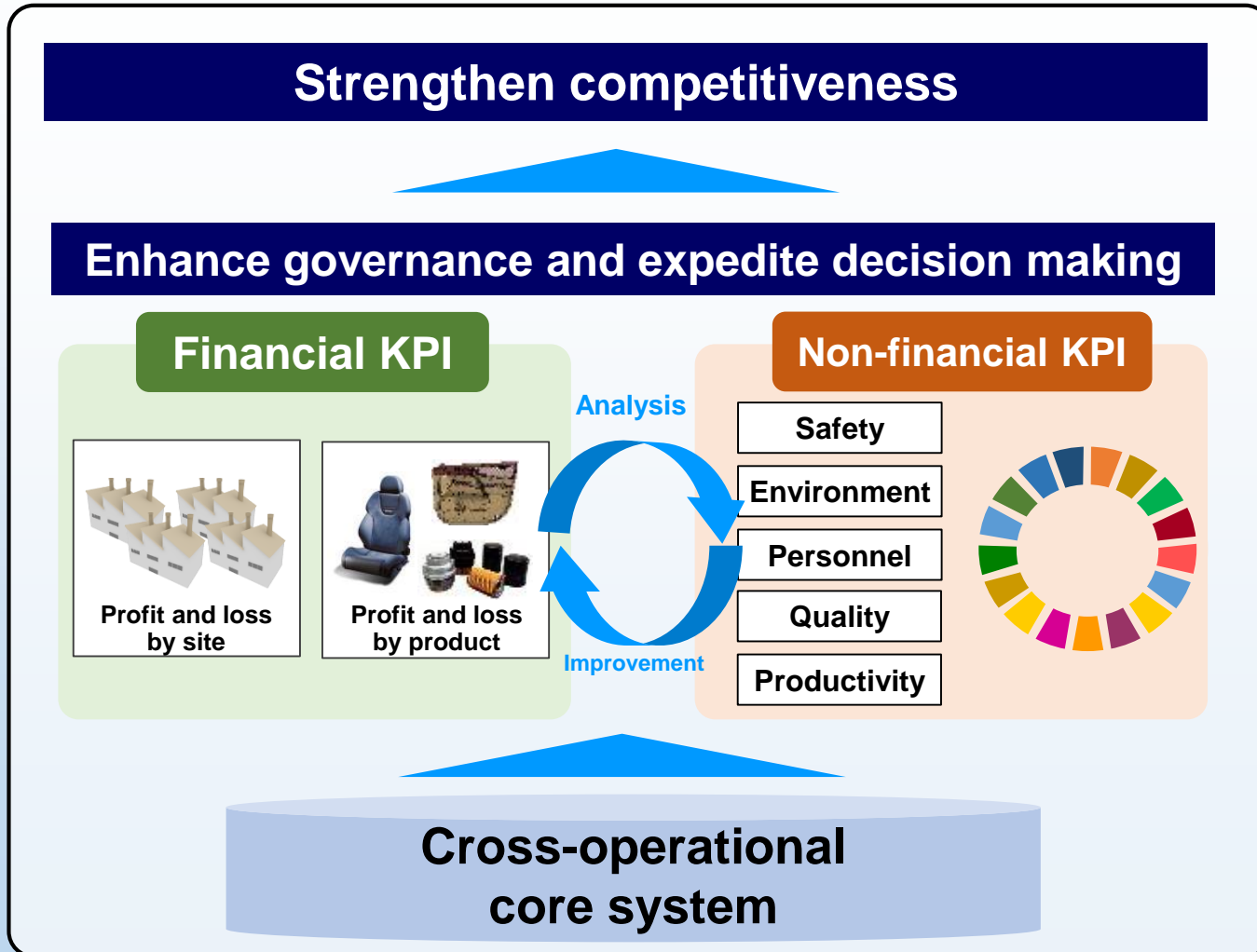


To be able to respond to the Japanese Government's reduction target for 2030(reduce 46%), we will establish the Carbon Neutral Environment Division, and enhance collaboration with Toyota G, JAMA, and JAPIA, etc.

6. Actions in 2025 Mid-term Business Plan

Action No. 4

Build management information infrastructure



Steadily implement the Mid-term Business Plan by taking speedy actions globally in response to environmental changes.

6. Actions in 2025 Mid-term Business Plan

Action No. 5

Improve work quality by implementation of TQM by all employees

Improve work quality (strengthen management foundation)

Organization (capability):
Ability to carry out strategies

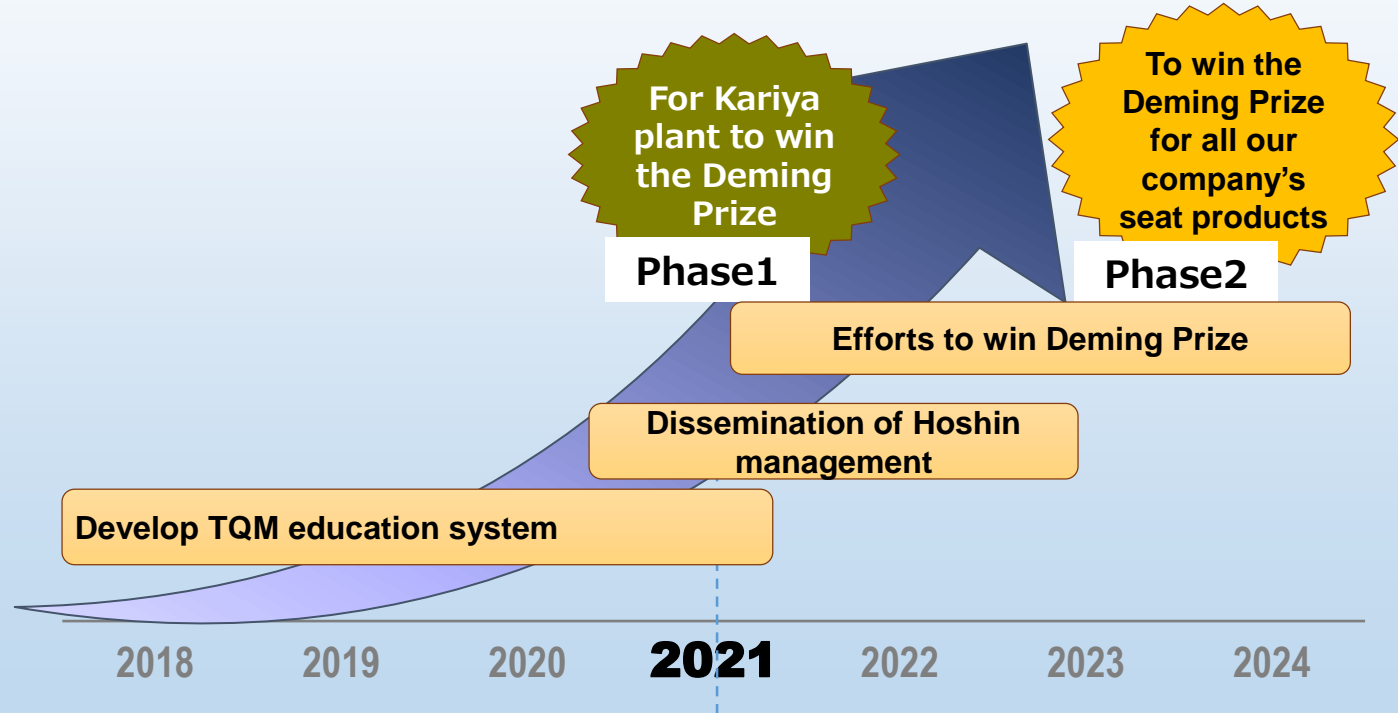
Process:
Procedure for work or manufacturing

People : Skill map
(qualifications, professional abilities)

TQM Philosophy	Full participation	Customer first	Ceaseless improvement
Principles of Toyota	Become single-minded	For society and for people	work honestly and steadily

Materiality No. 4

We will develop people capable of contributing to society, who have diverse values, a challenging spirit, and respect for teamwork.



Improve work quality of all our employees and develop human resources who can work self-efficiently.



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

Let's tackle the challenges together
to a new century.

<Disclaimer>

The forecasts relating to future business performance provided in this report are estimates made by the Company based on the information available at the time of reporting, and therefore involve risks and uncertainties.

Accordingly, actual results may differ from the forecasts due to various factors.

Appendix

Appendix1) Status of the Consolidated Statement of Financial Position (Mar.31, 2021)

Current assets

457.5billion yen

506.8billion yen

- Increase in operating receivables due to recovery from lower volume

+49.3

Non-current assets

323.1billion yen

338.9billion yen

- Increase in property, plant and equipment due to the construction of global mainstay hub

+15.7

Assets

845.7 billion yen
(+780.7 billion yen from the previous year)

○ : Compared to the previous year (billion yen)

Liabilities

459.0billion yen

476.1billion yen

- funding to deal with covid-19 outbreak
- Increase in operating payables due to recovery from low volume

+17.1

Equity

321.7billion yen

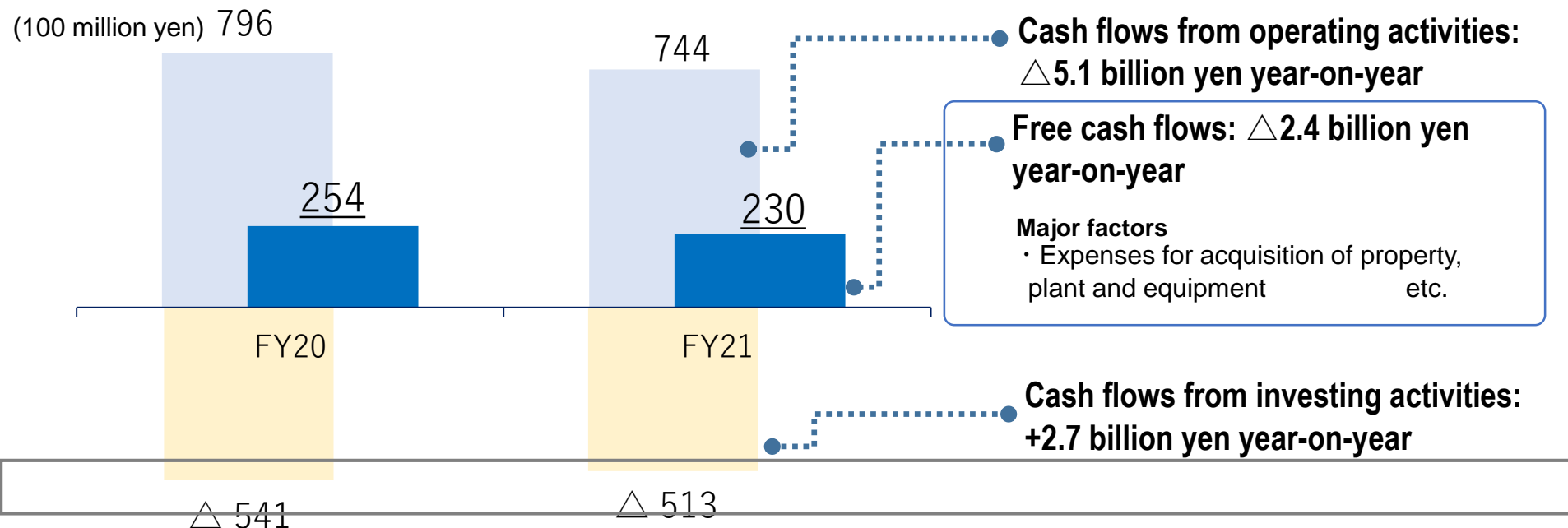
369.6billion yen

+47.9

Total equity attribute to owners of the parent
37.3%

39.6%

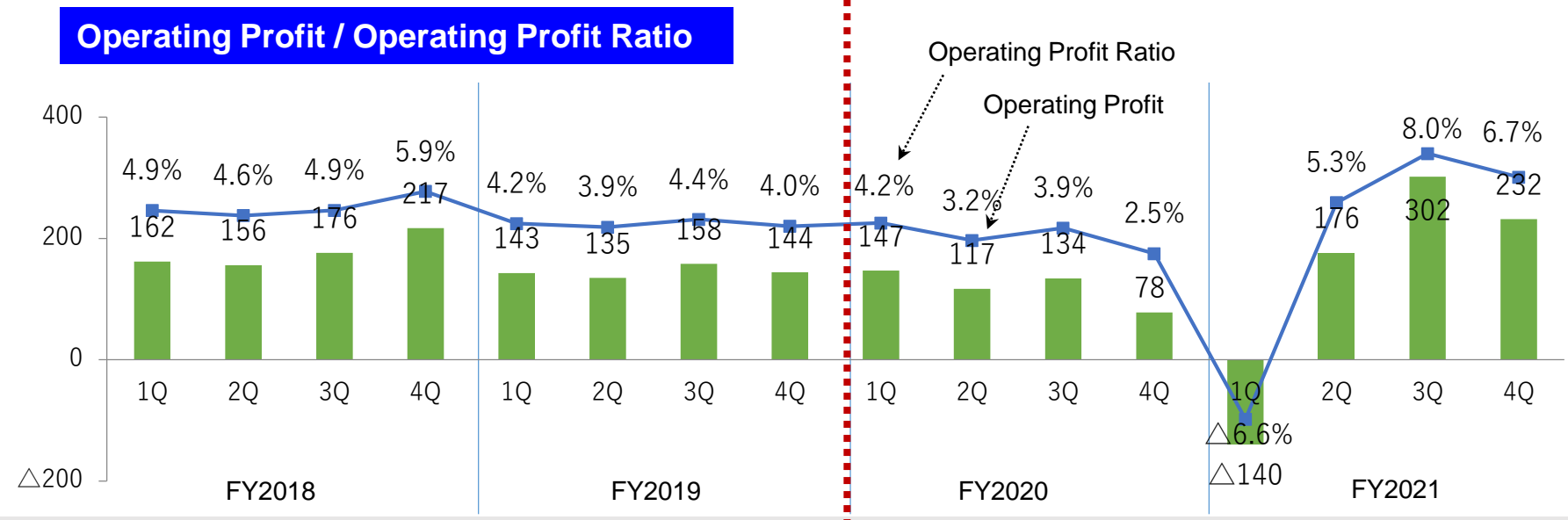
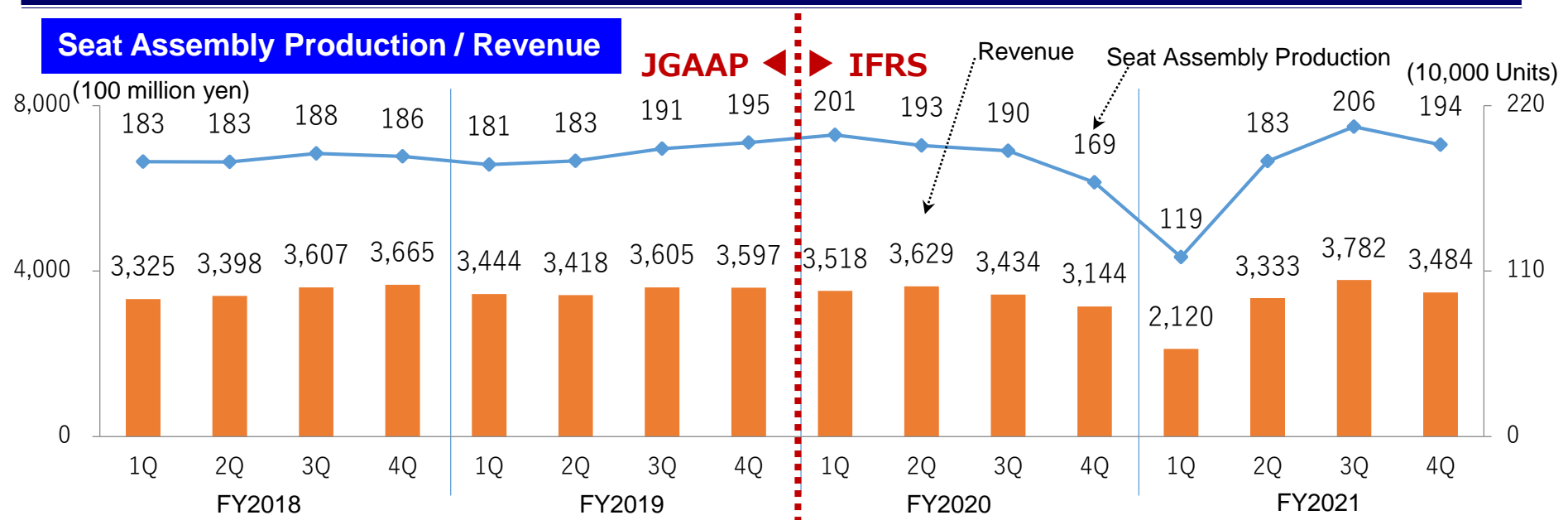
Appendix2) Consolidated Cash Flows



(100 million yen)

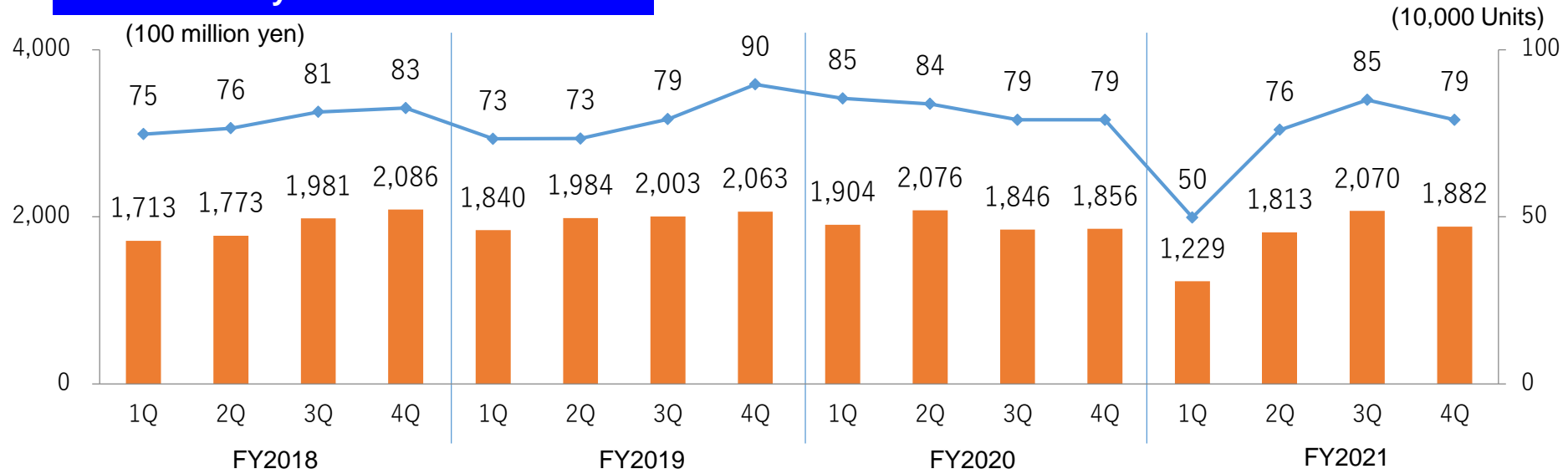
	FY20	FY21	Change
Cash flows from operating activities	796	744	△ 51
Cash flows from investing activities	△ 541	△ 513	27
Free cash flows	254	230	△ 24
Cash flows from financial activities	△ 139	27	167
Impact of foreign exchange	△ 63	59	123
Change in cash and cash equivalents	51	318	266
Balance of cash and cash equivalents	1,633	1,951	318

Appendix3) Quarterly Trends: Consolidated volume, revenue, operating profit, operating profit ratio

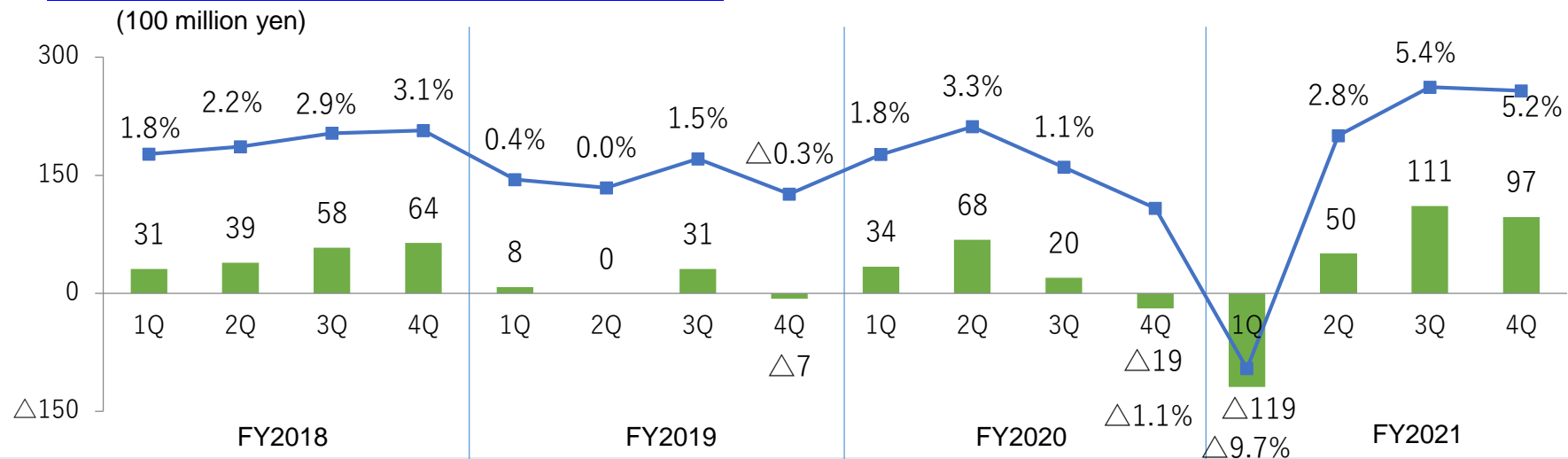


Appendix4) Quarterly Trends: Japan volume, revenue, operating profit, operating profit ratio

Seat Assembly Production / Revenue

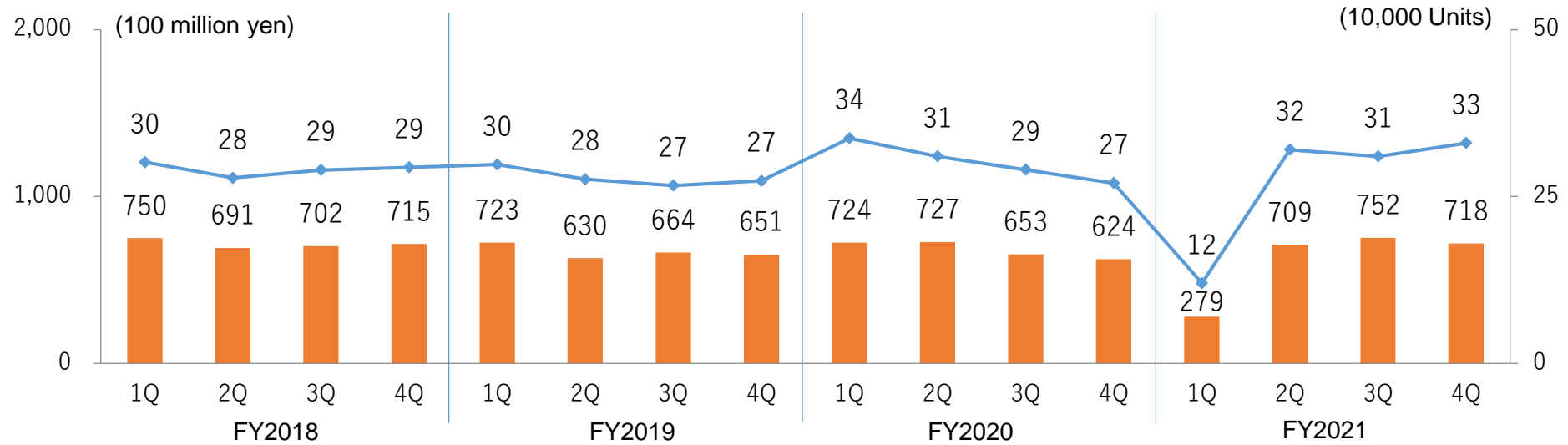


Operating Profit / Operating Profit Ratio

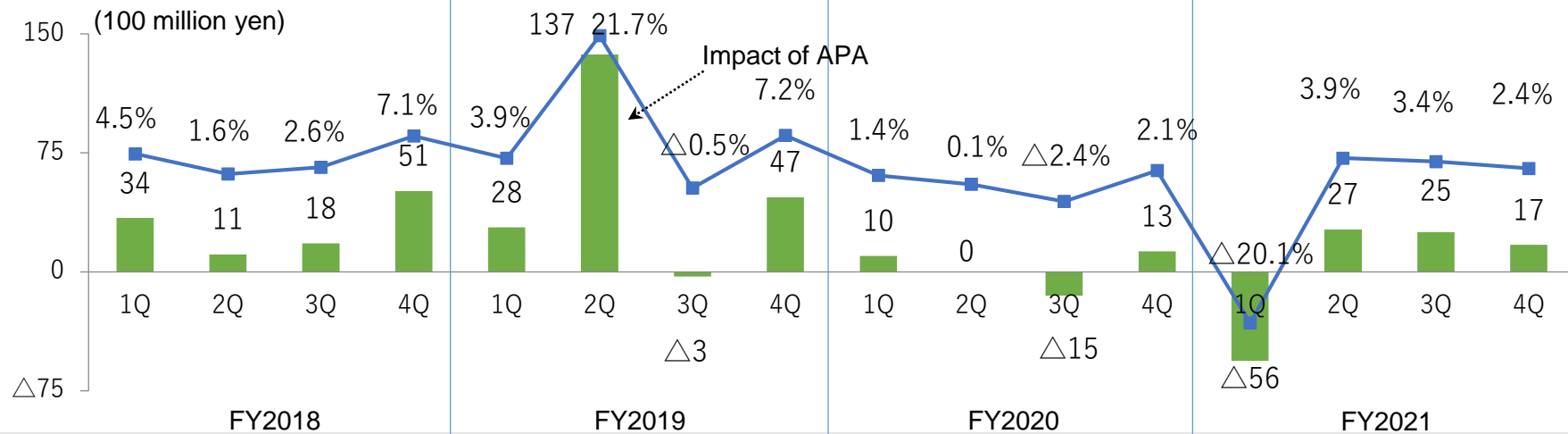


Appendix5) Quarterly Trends: The Americas volume, revenue, operating profit, operating profit ratio

Seat Assembly Production / Revenue

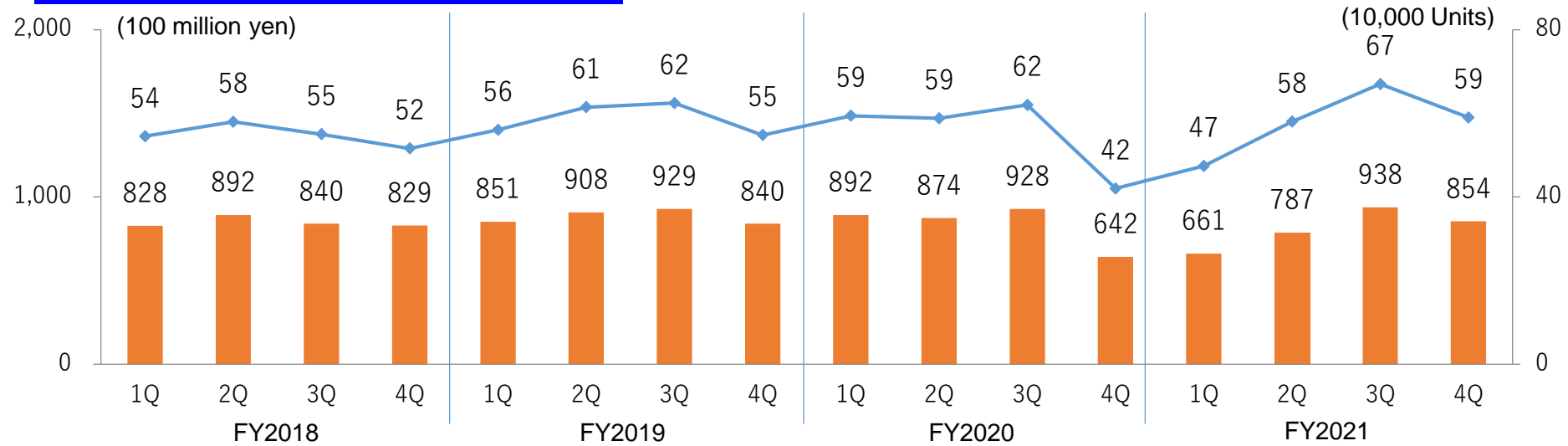


Operating Profit / Operating Profit Ratio

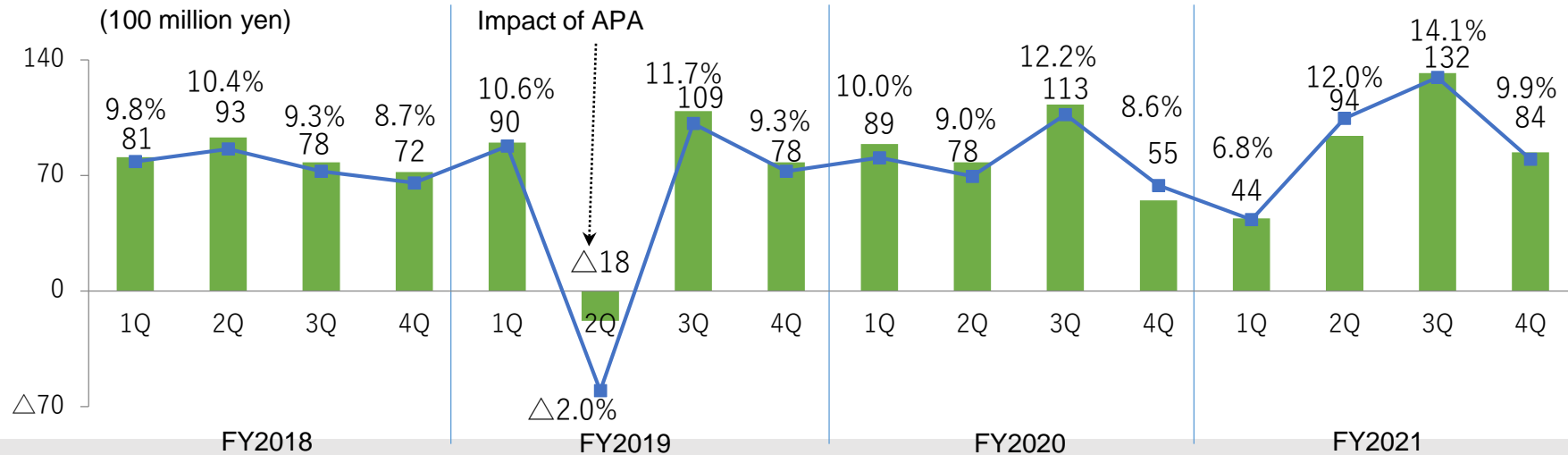


Appendix6) Quarterly Trends: Asia & Oceania volume, revenue, operating profit, operating profit ratio

Seat Assembly Production / Revenue

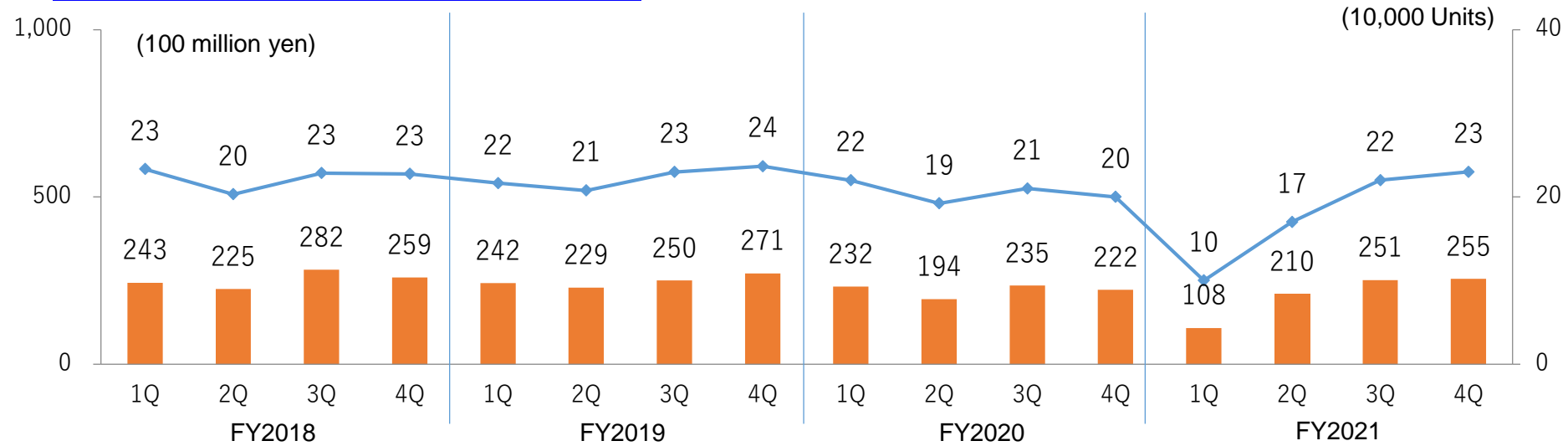


Operating Profit / Operating Profit Ratio



Appendix7) Quarterly Trends: Europe & Africa volume, revenue, operating profit, operating profit ratio

Seat Assembly Production / Revenue



Operating Profit / Operating Profit Ratio

