



TSE 1st Section Securities Code 3116

FY2021 (Year ending March 2021)

# Briefing on 2025 Mid-term Business Plan



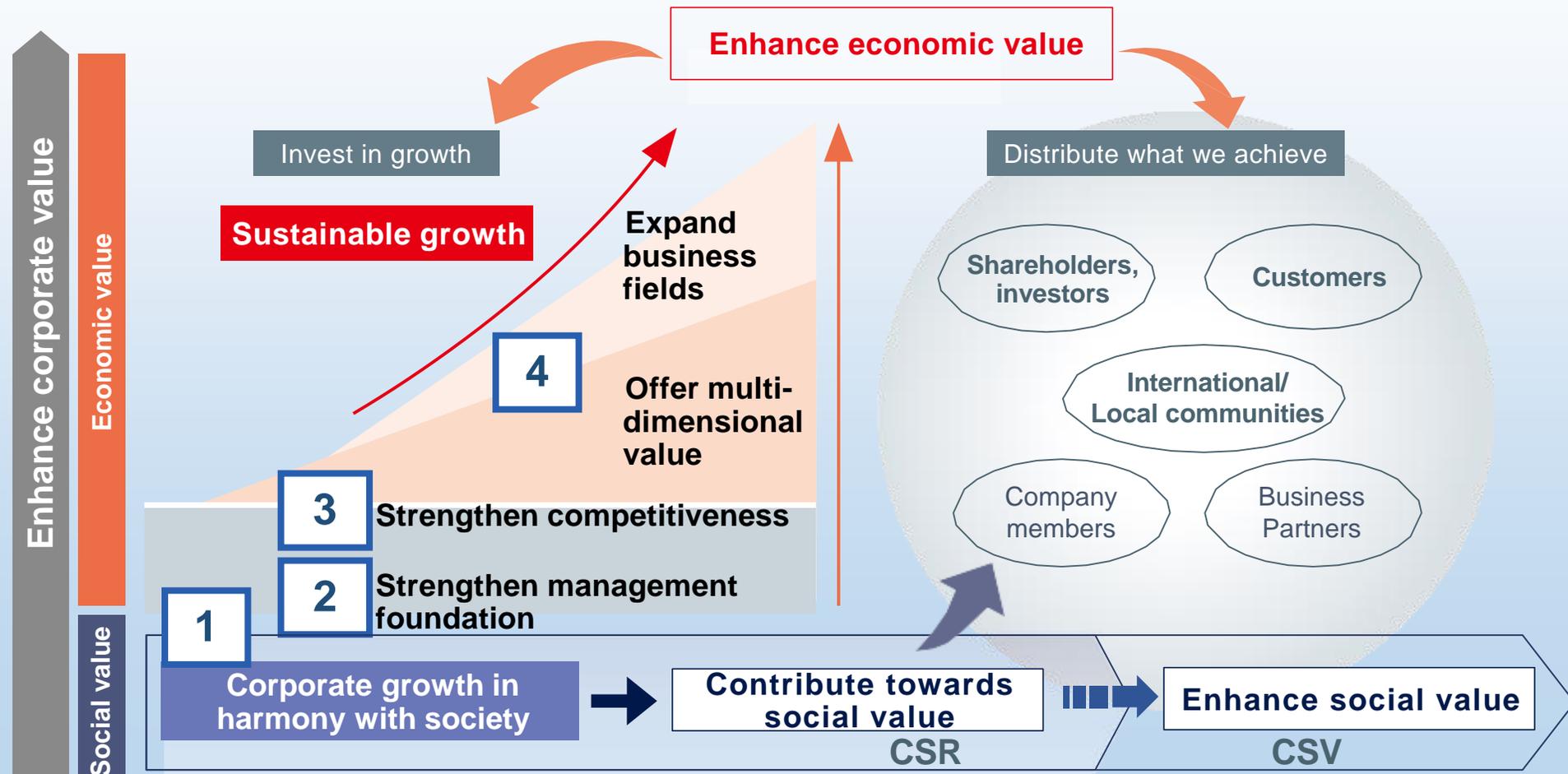
Date: November 11, 2020



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

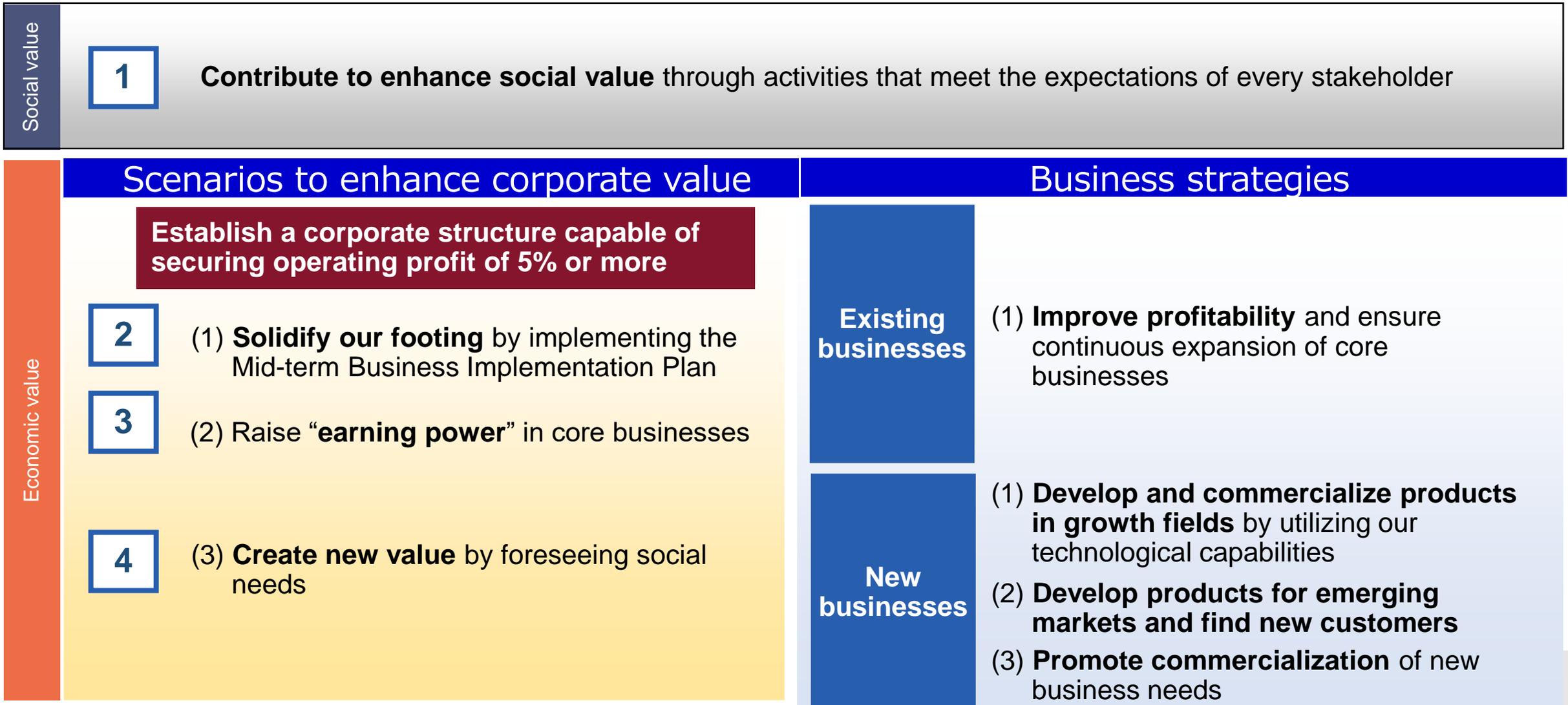
## 1) The management structure we aim to achieve

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



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

## 2) Framework of 2020 Mid-term Business Plan



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

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

# 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)

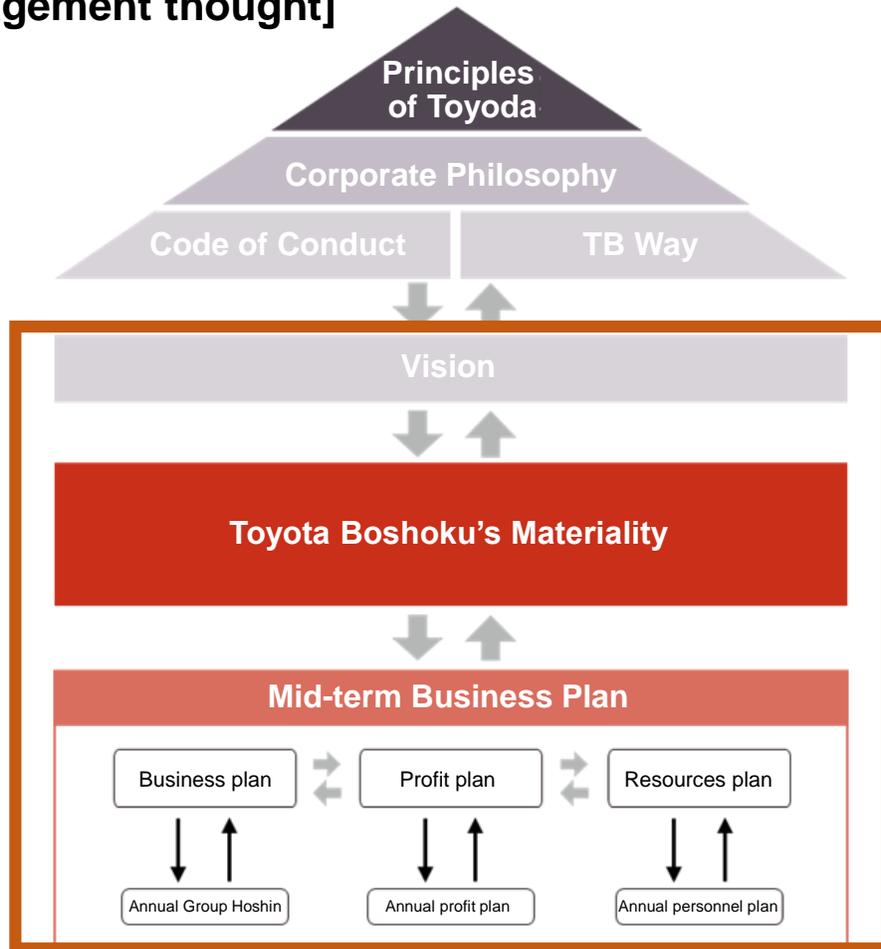
	Target	Forecast	Forecast (Without impact of COVID-19)
Revenue	<b>14,000</b>	<b>12,400</b>	<b>13,900</b>
Operating profit	<b>700</b>	<b>360</b>	<b>670</b>
Operating profit ratio	<b>5% or higher</b>	<b>2.9%</b>	<b>4.8%</b>
ROE	<b>10% or higher</b>	<b>4.8%</b>	<b>10.5%</b>
Equity ratio	<b>Around 40%</b>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

\* 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

## 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.

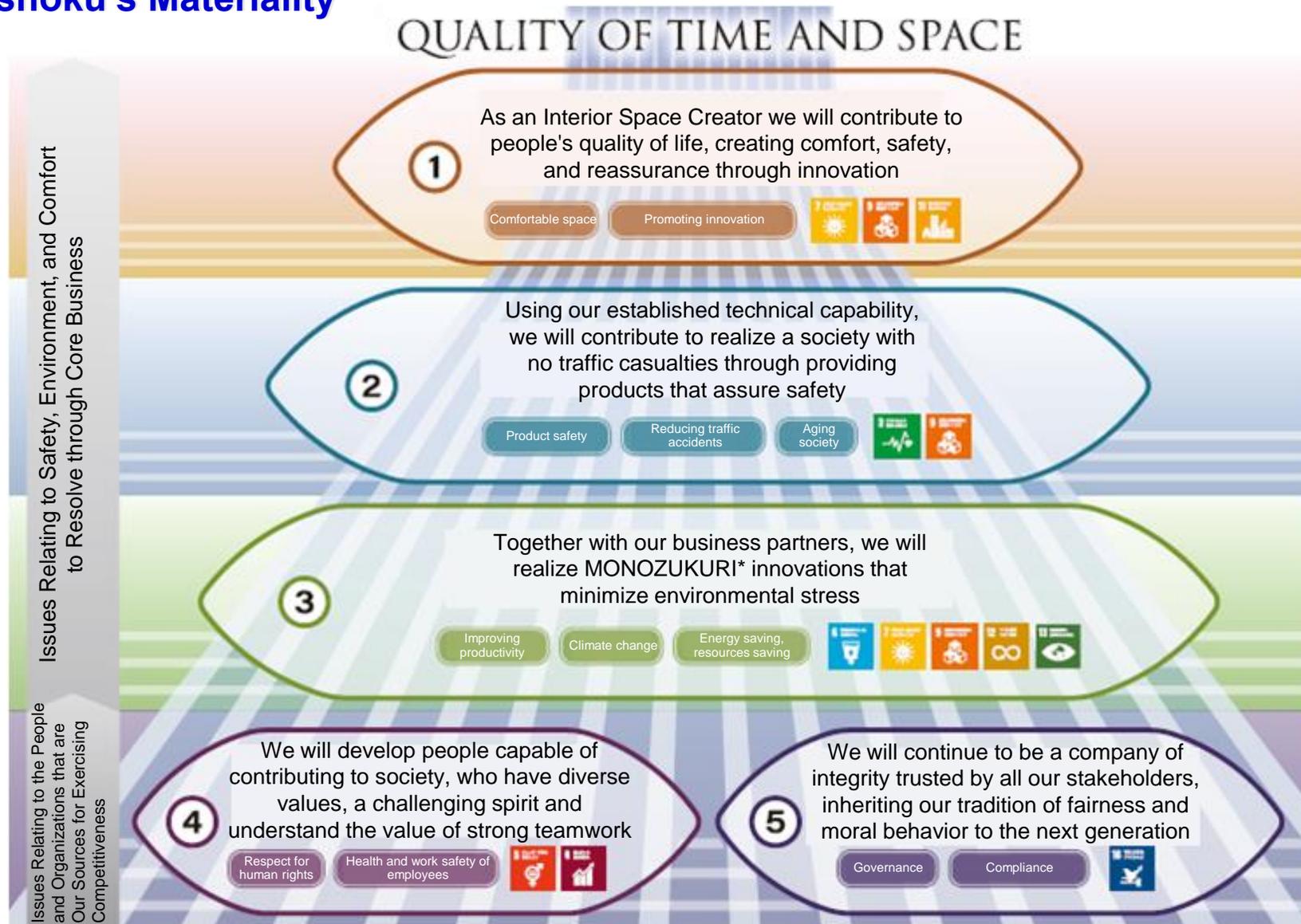
2025  
Target

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

# 2. Concepts in formulating 2025 Mid-term Business Plan

## Toyota Boshoku's Materiality



# 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

# 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

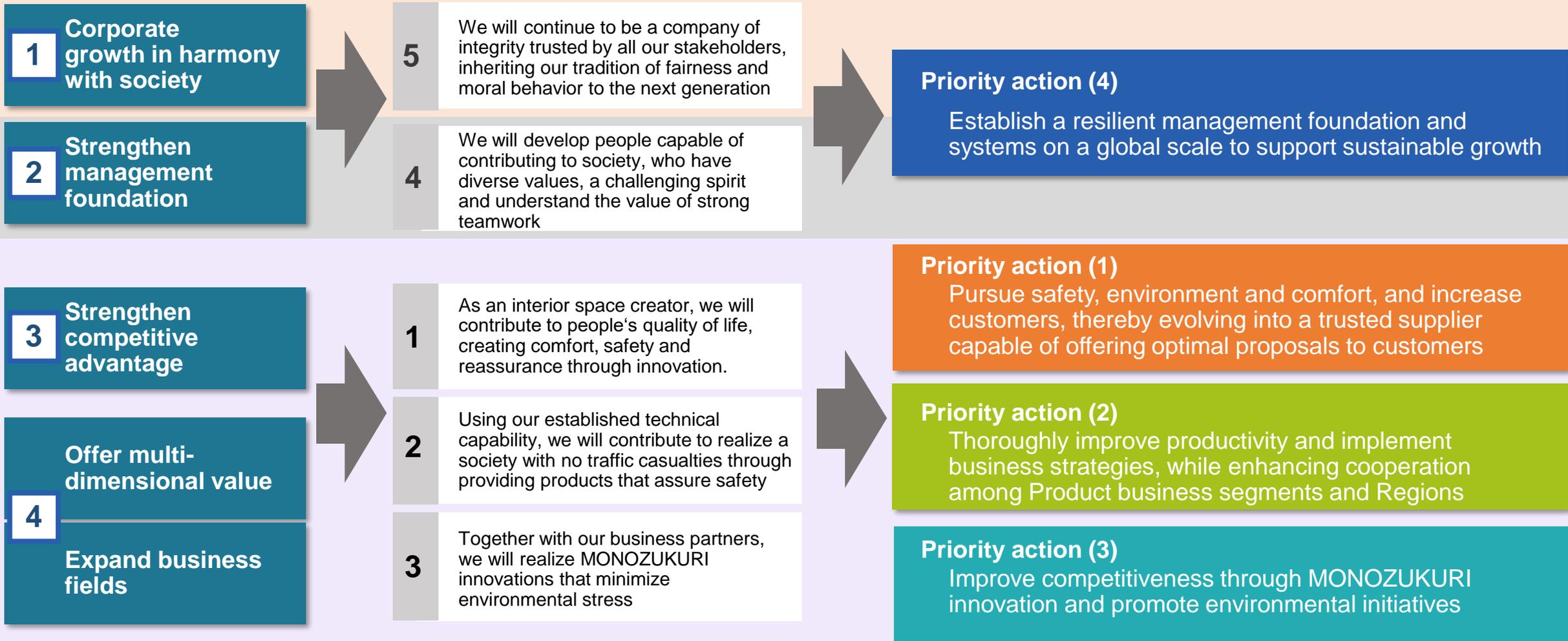
# 4. Actions in 2025 Mid-term Business Plan

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]



# 4. Actions in 2025 Mid-term Business Plan

## Priority action (1)



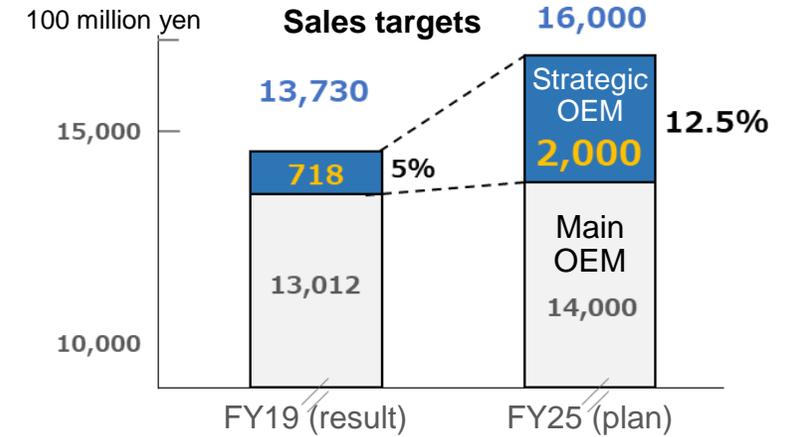
- Expand sales in regions where market is significantly growing (China, Asia) (for our main OEM and strategic OEMs)

## 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
<b>Revenue</b>	<b>8,300</b>	<b>2,900</b>	<b>4,000</b>		<b>1,500</b>	<b>16,000</b>

(100 million yen)

Intracompany eliminations (700)

## 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 +  $\alpha$

#### 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)

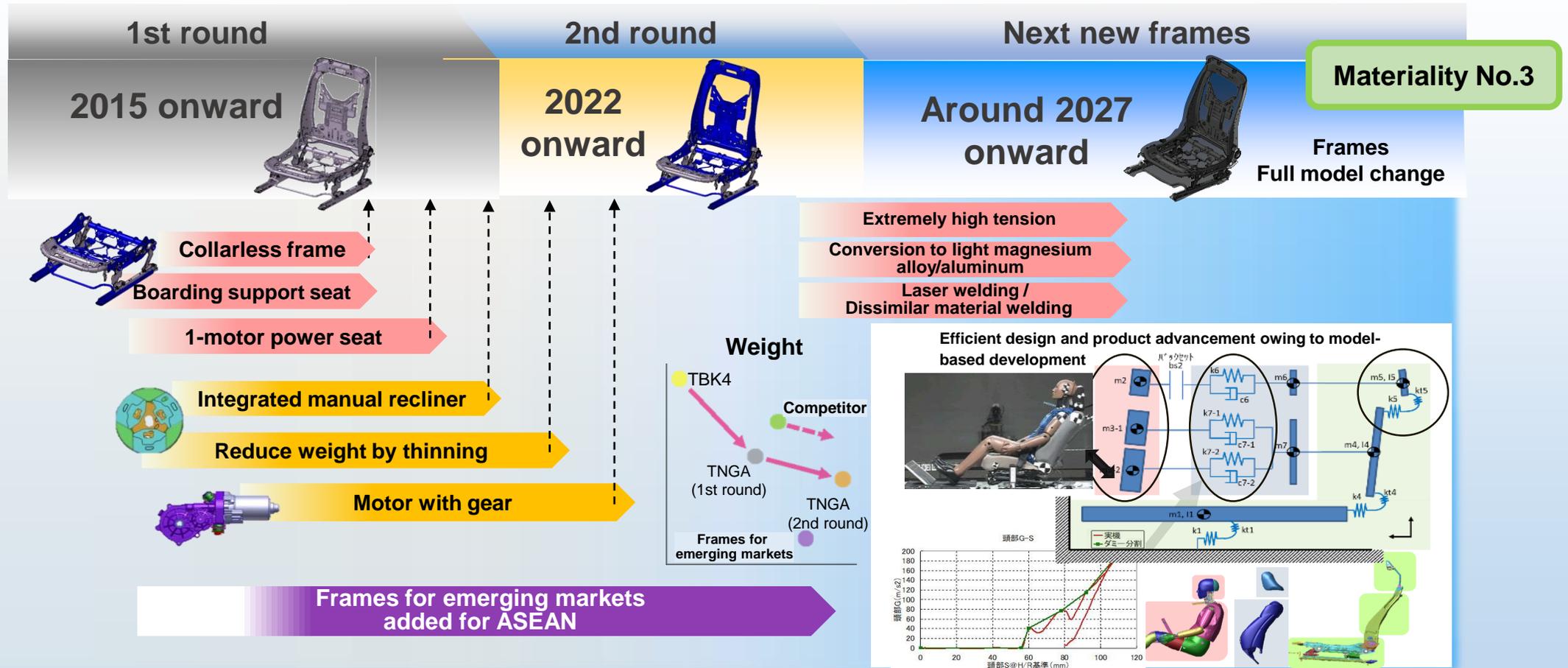
#### Implementation points

- 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**

# 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

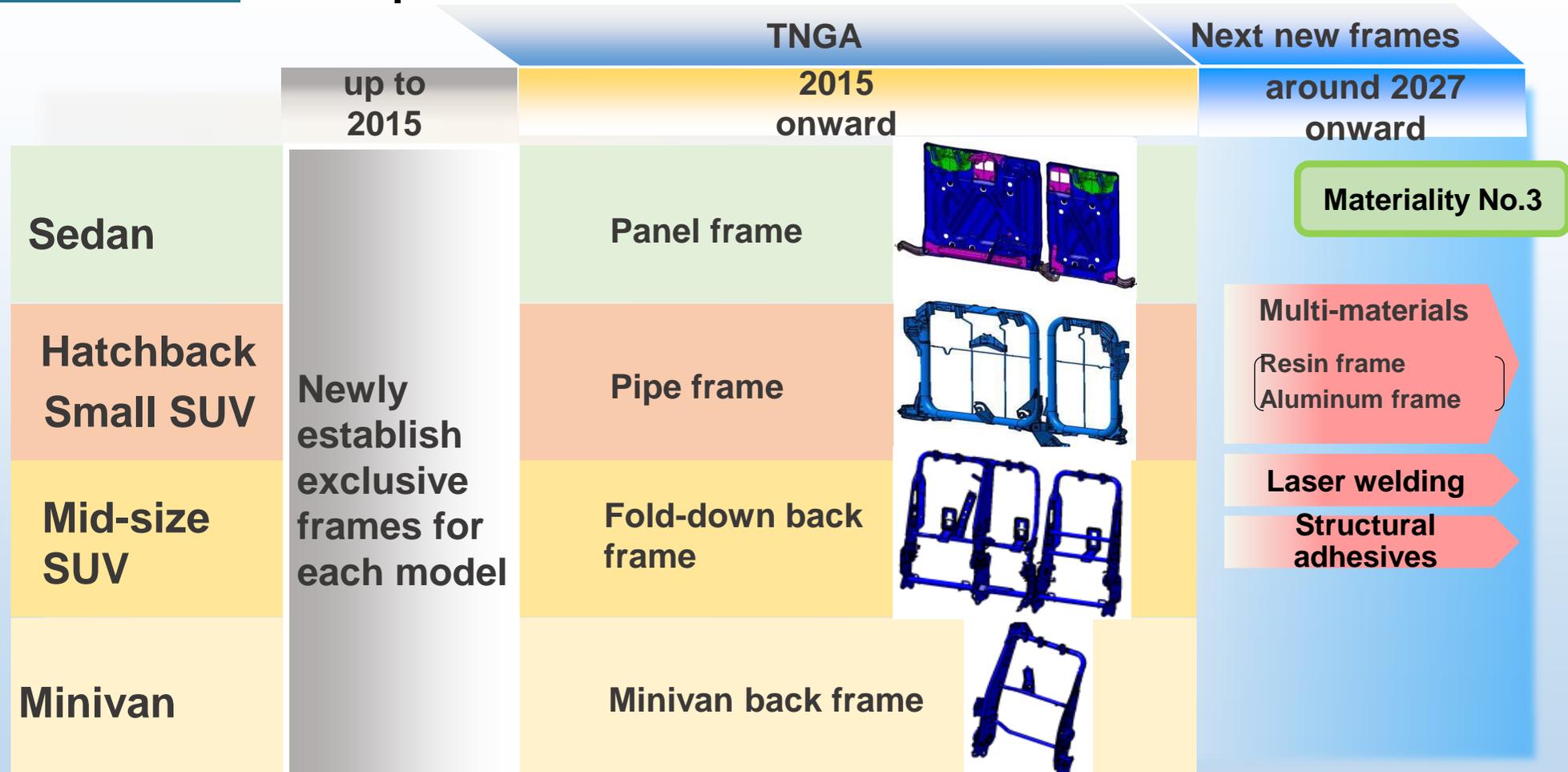


After launch of TNGA, continued to introduce new devices and weight-reducing items  
Use model-based development to develop next new frames for wide range of OEMs

# 4. Actions in 2025 Mid-term Business Plan

## Implementation items

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

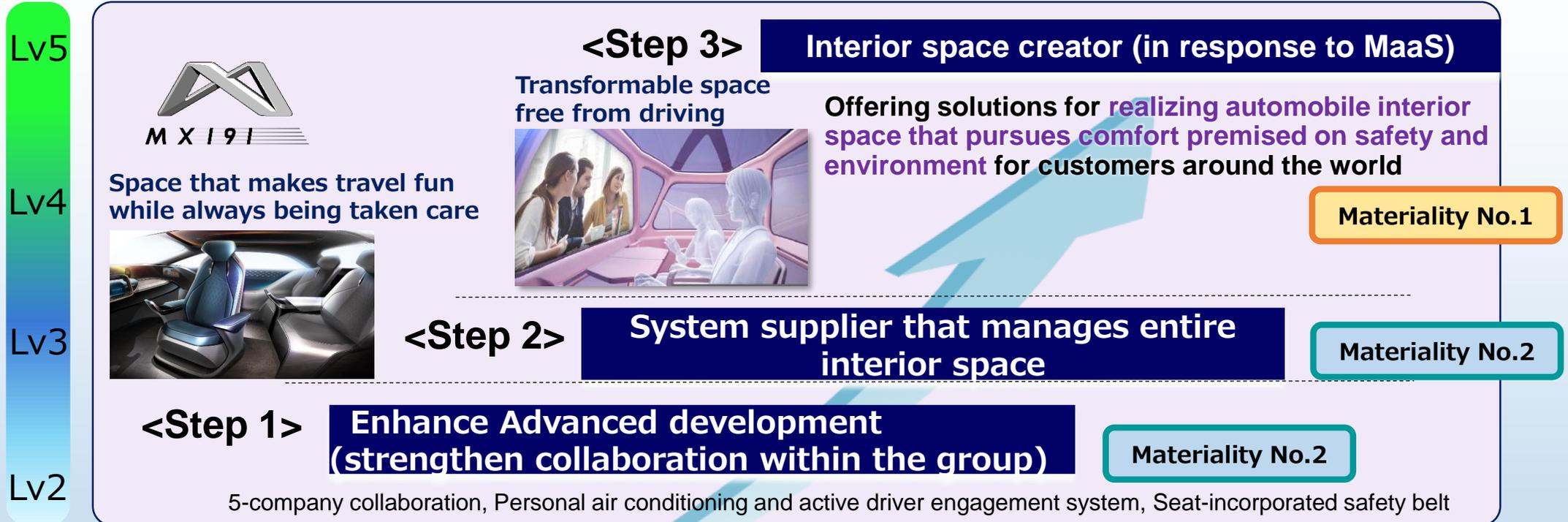


**Rear frames for each model standardized after TNGA concept (4 types)  
Achieve a seat frame that surpasses competitors by securing volume**

# 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

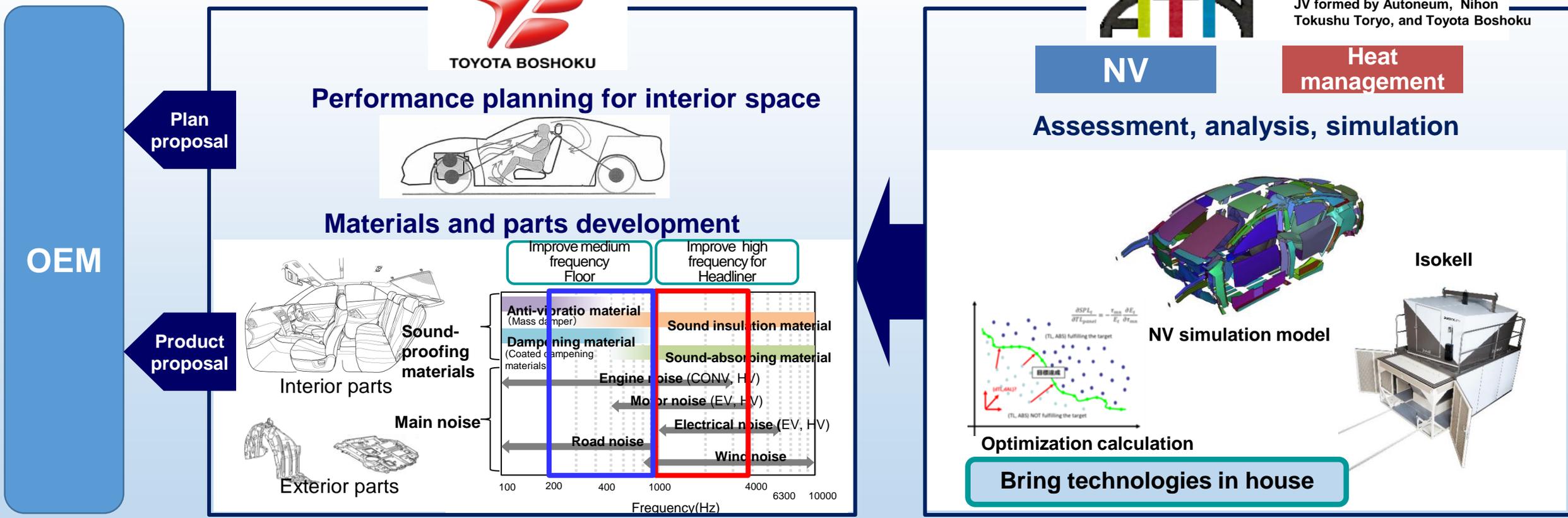
2025

2030

# 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

## 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 +  $\alpha$

#### 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

# 4. Actions in 2025 Mid-term Business Plan

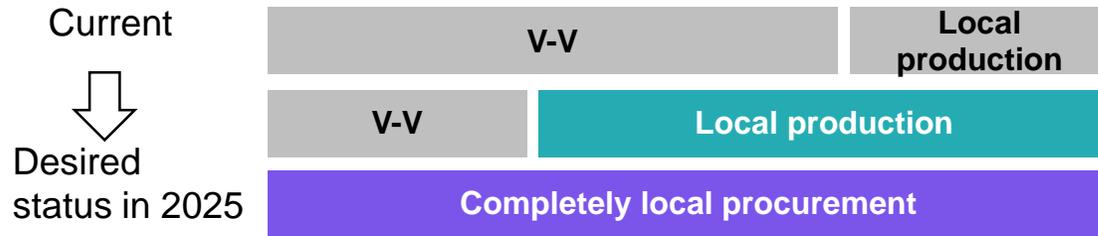
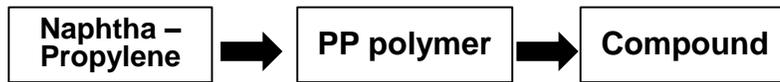
## Implementation items

### 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.

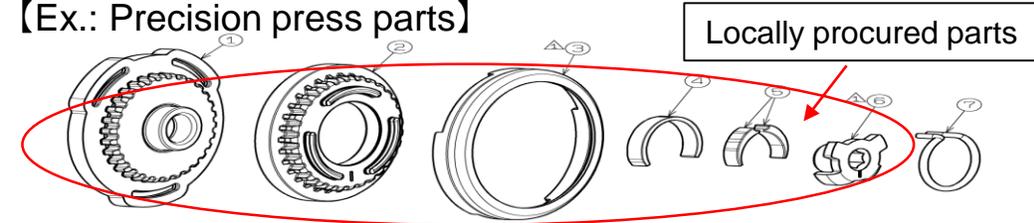
#### <Asia region> Promoting local procurement of raw materials (resin)

[Ex.: PP resin materials]

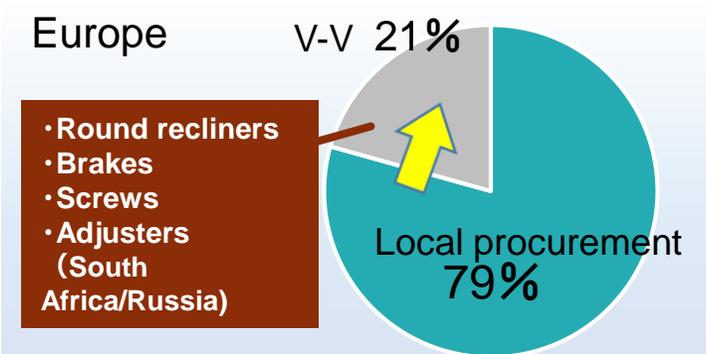
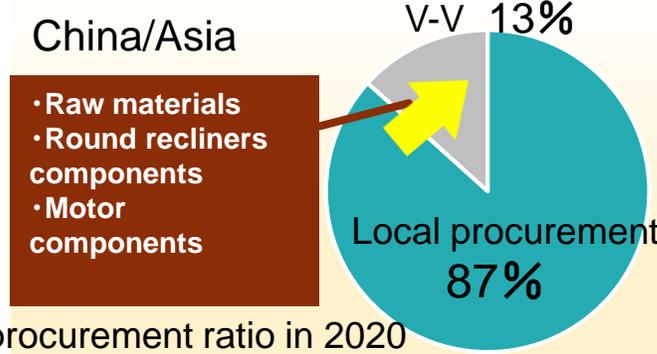
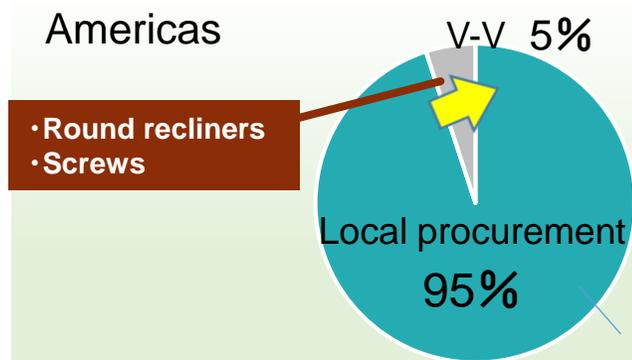


#### <China region> Local procurement of functional parts

[Ex.: Precision press parts]



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



Local procurement ratio in 2020

# 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)

# 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

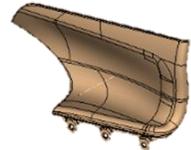
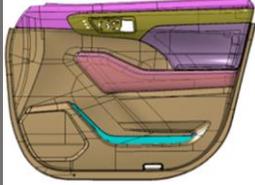
Change production location <Concept> Optimize personnel and integrate processes in the Indiana region

### 1 Seat frames

Processes	<b>Press, welding Sub-assembly</b> 	<b>Welding Assembly</b> 	<b>Seat Assembly</b> 
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	<b>Middle board (Covered with fabrics)</b> 	<b>Upper board (Vacuum forming)</b> 	<b>Door Assembly</b> 
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.

## 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

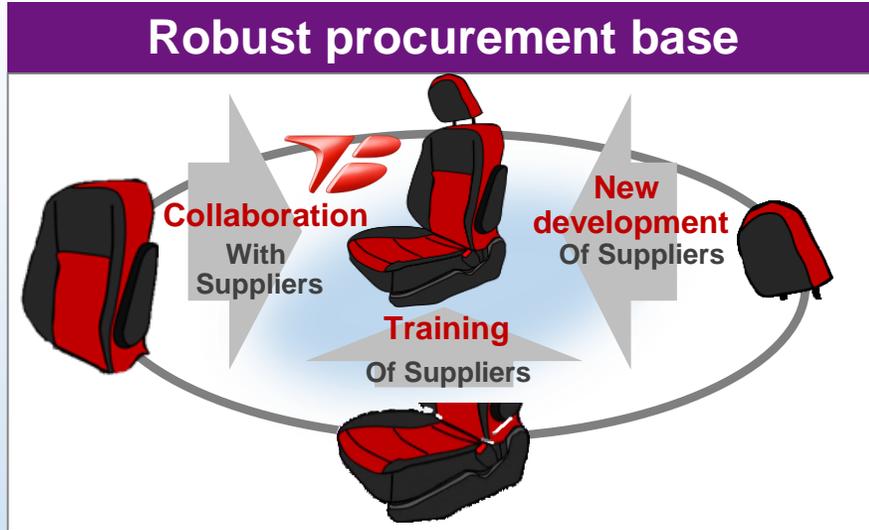
# 4. Actions in 2025 Mid-term Business Plan

## Implementation items

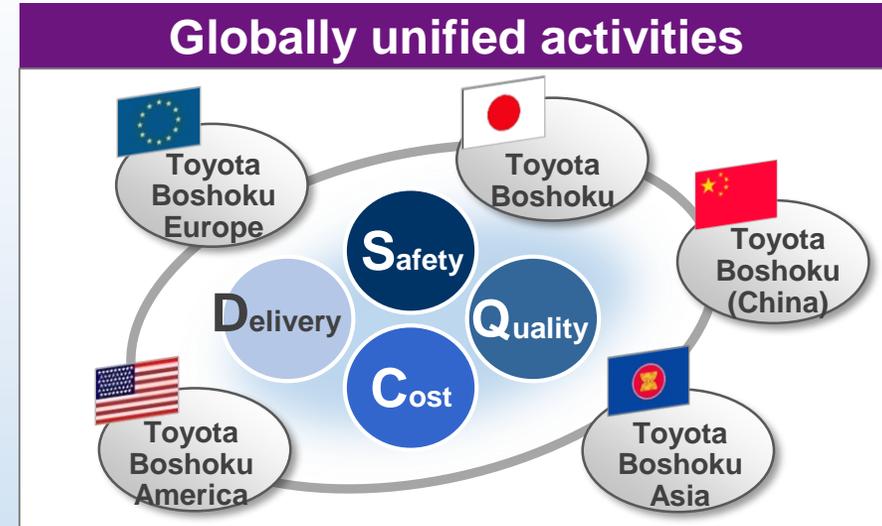
### 3) Establish a procurement base to strengthen global competitive advantage

Materiality No.3

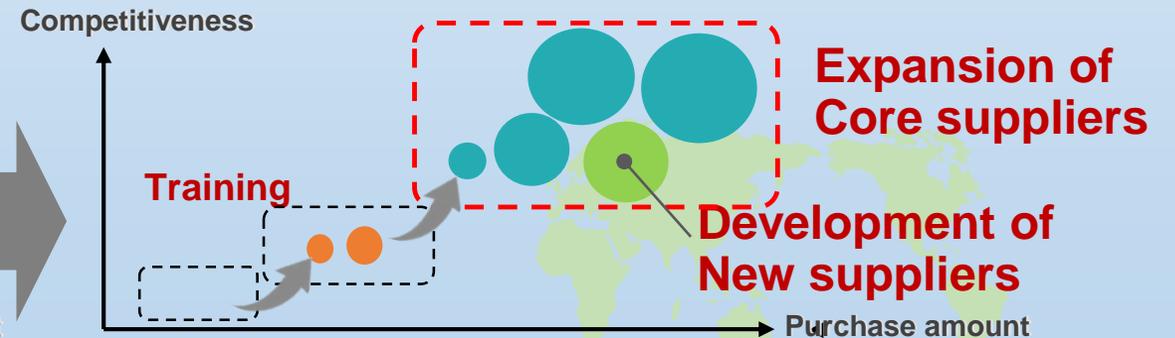
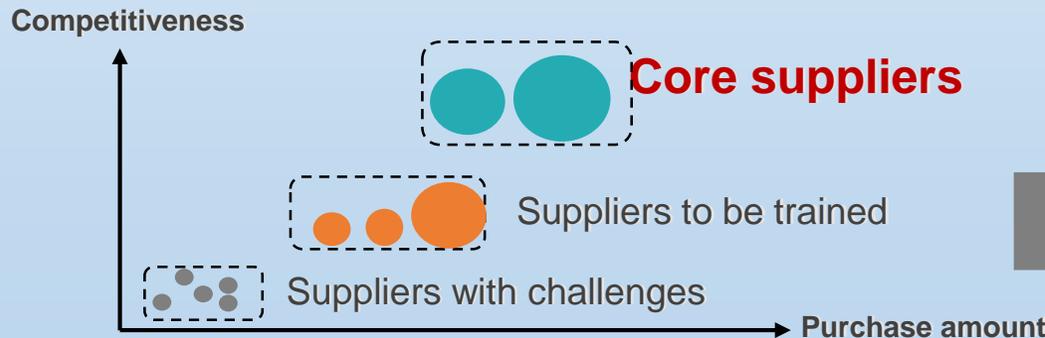
**Reforming supply chains** :Restructuring supply chains by evaluation and classifying (higher-level **SQCD**)



Current (2020)



Desired status (2025)



# 4. Actions in 2025 Mid-term Business Plan

## Implementation items

### 4) Strengthen MONOZUKURI competitiveness by utilizing DX

#### MONOZUKURI information sharing via IoT

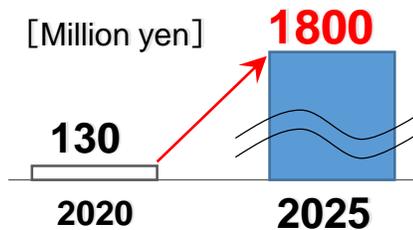
Achieve same quality/productivity globally



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

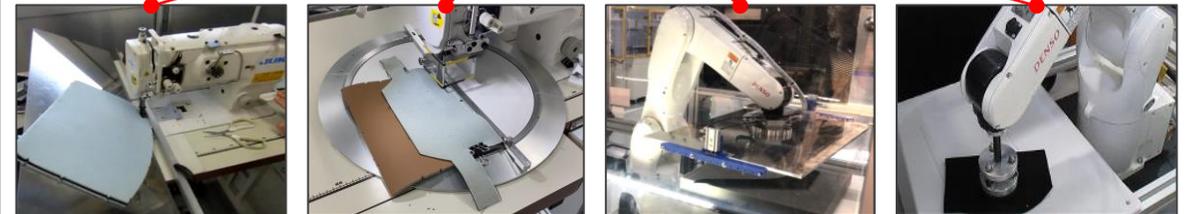
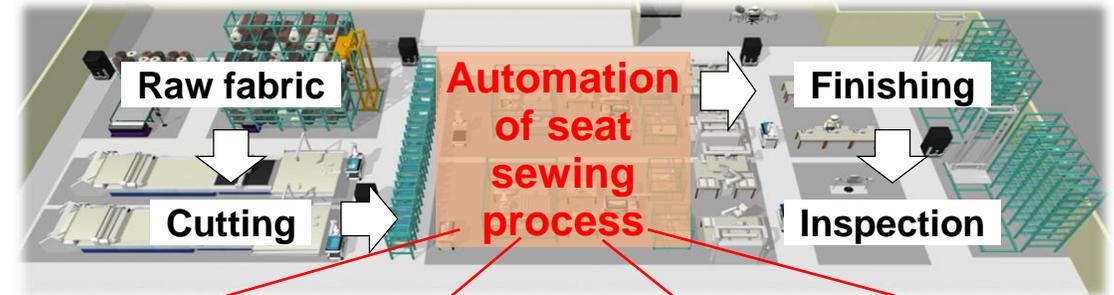
Internal production plants in Japan	Introduction of IoT completed
Overseas plants	Introduction to be complete in 2025

Effect of introducing IoT

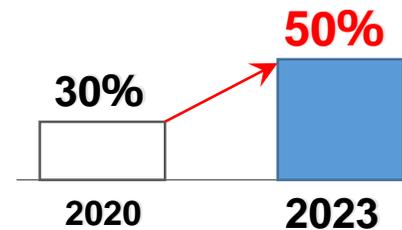


#### Further boost MONOZUKURI competitiveness via process innovations

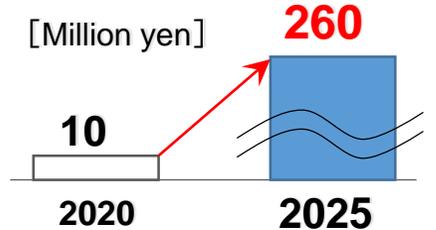
Address drop in the sewing labor force



Ratio of automation in sewing process



Processing cost-cut effectiveness (cumulative)



# 4. Actions in 2025 Mid-term Business Plan

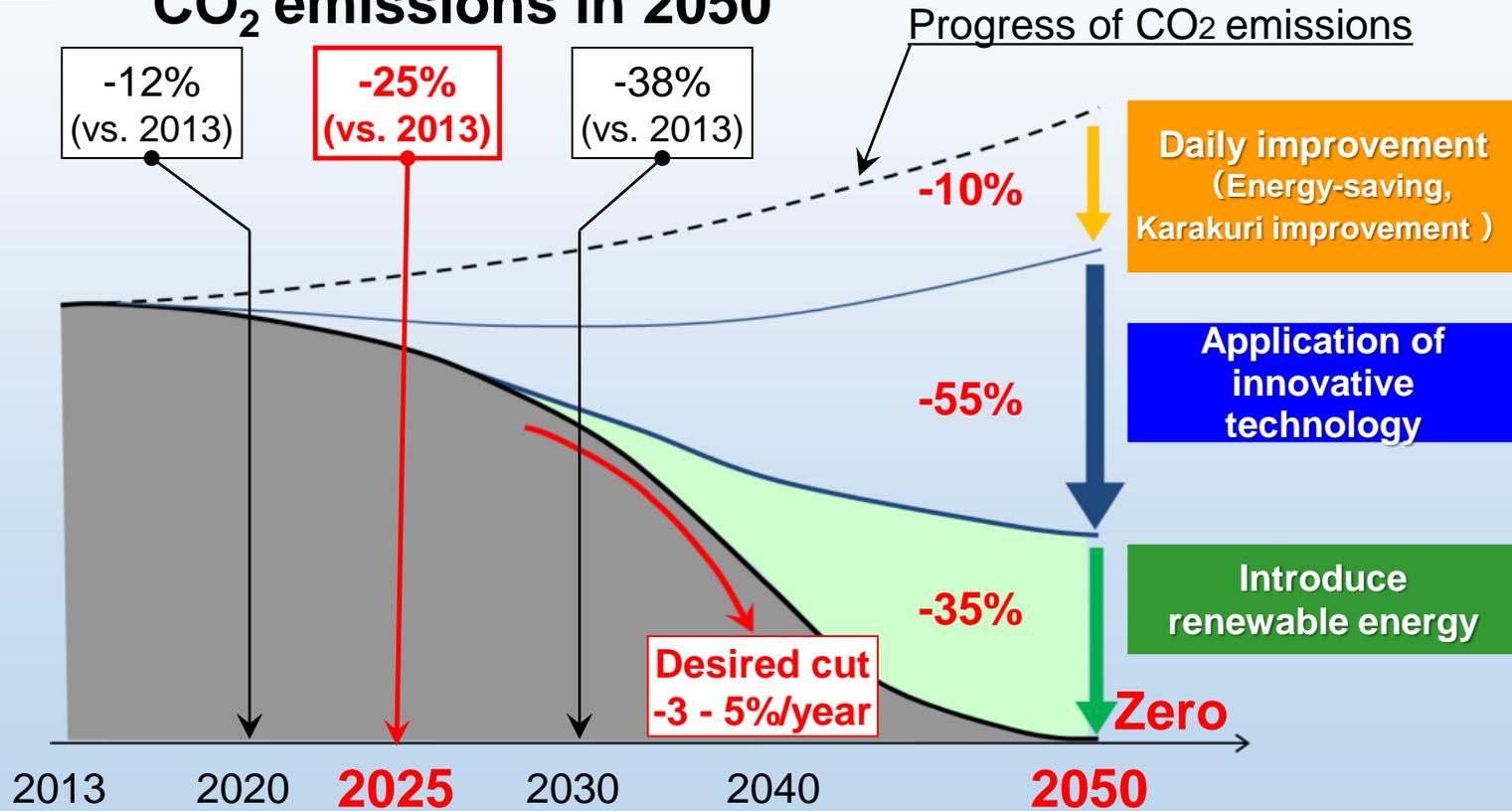
## Implementation items

### 5) Minimize environmental stress by promoting MONOZUKURI innovation

Materiality No.3



## 1 Toyota Boshoku Group's challenge to achieve zero CO<sub>2</sub> emissions in 2050

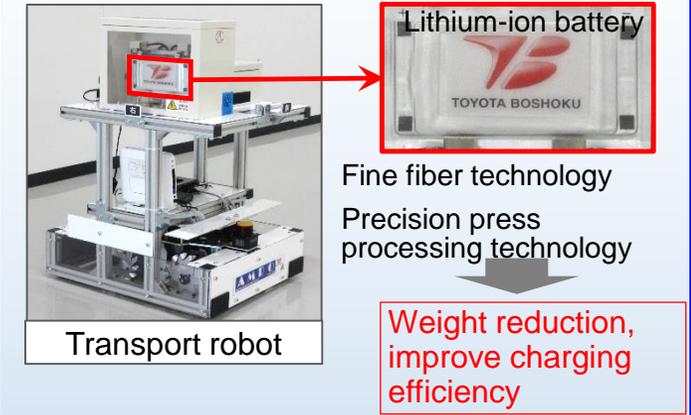


\*PPA = Power Purchase Agreement  
A direct agreement between a party that generates electricity and a user

## Application of innovative technology

### Boost productivity with innovative technology

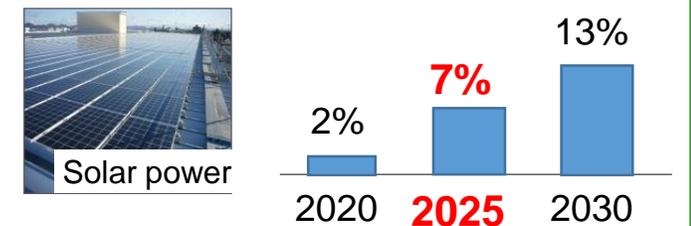
Introduce transport robots that use Toyota Boshoku-brand lithium-ion batteries



Reduce power consumption : -24%  
Reduce CO<sub>2</sub> emissions : -150kg/year·unit

## Introduce renewable energy

### Introduce solar power via PPA\*



## 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

# 4. Actions in 2025 Mid-term Business Plan

## Implementation item ①

Materiality No.5

- 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

# 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%

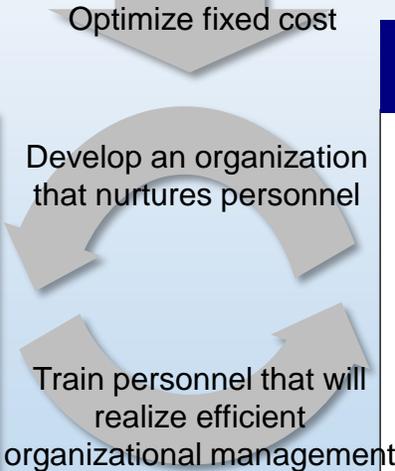
**Assignments based on personnel training/competency**

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

**Proper organizational development**

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



Visualization of global personnel  
Realize global assignments

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

## 5. 2025 Mid-term Business Plan Targets

### Economic value

- Revenue 1,600 billion yen +  $\alpha$  by sales expansion of existing core products and obtaining new OEMs
- Aim at operating profit of 100 billion yen +  $\alpha$  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	<b>13,900</b>	<b>16,000 + <math>\alpha</math></b>	
Operating profit	<b>670</b>	<b>1,000 + <math>\alpha</math></b>	
Operating profit ratio	<b>4.8%</b>	<b>6–7%</b>	
ROE	<b>10.5%</b>	<b>10% or higher</b>	
Equity ratio	<b>38.2%</b>	<b>Around 40%</b>	
Net asset	<b>3,522</b>	<b>4,000</b>	
Dividend payout ratio	<b>22%</b>	<b>Around 30%</b>	
Capital investment	(FY18~20 total) <b>1,700</b>	<b>2,500 + <math>\alpha</math></b> <b>(FY21–25)</b>	
R&D costs	(FY18~20 total) <b>1,340</b>	<b>2,000 + <math>\alpha</math></b> <b>(FY21–25)</b>	

\* 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

## 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

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



**"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.。