

Toyota Boshoku Corporation

# Financial Results

of FY2013 ending March 31<sup>st</sup> 2013

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**Quantum Leap**

1. Progress on 2020 Vision & Mid-Term Management Plan Until 2015
2. Financial Results for FY2013
3. Estimates for FY2014

# 1. Progress on 2020 Vision & Mid-Term Management Plan Until 2015

- 1) Overview of 2020 Vision & Mid-Term Management Plan Until 2015
- 2) Handling issues & improving systems
- 3) Business expansion initiatives
- 4) Initiatives to strengthen business foundation

# 1) Overview of 2020 Vision & Mid-Term Management Plan Until 2015

## (1) The company we aim to become

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

***Design your passion with TOYOTA BOSHOKU***

## (2) Our company's aspirations for 2020

- [1] A company that persists in proposing excellent mobility for customers throughout the world
- [2] A trusted company that grows together with all stakeholders

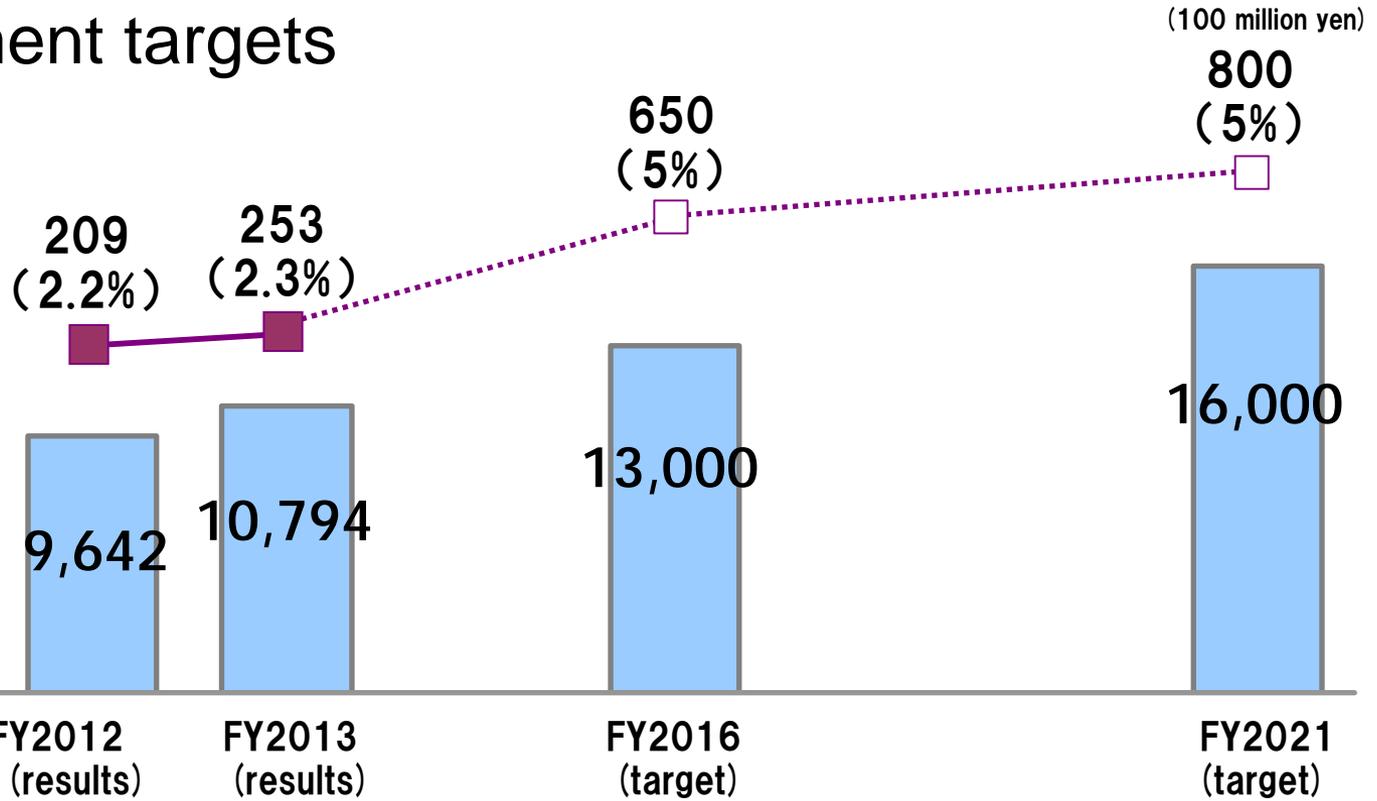
## (3) Key management items for 2015

- [1] Pursuit of leading-edge technologies toward creating new business.
- [2] Acceleration of global business expansion centered on growing markets, such as emerging countries.
- [3] Speed up integration of all functions and regions to support our business growth with all car manufacturers.
- [4] Thorough implementation of lean, highly efficient and high value-added business in Japan.

# 1) Overview of 2020 Vision & Mid-Term Management Plan Until 2015

## Management targets

Operating Income

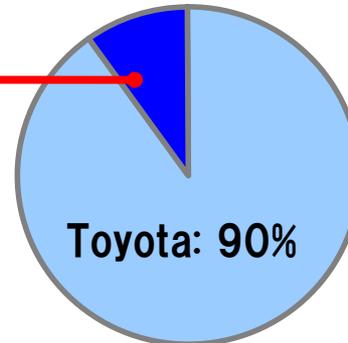


Net Sales

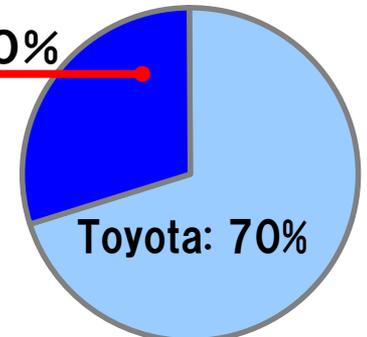
Customer Sales Ratio

**NCB: 10%**

\*New Customer Business



**NCB: 30%**



Toyota: 90%

Toyota: 70%

## 2) Handling issues & improving systems

Grasp changes in global supply & demand and external environment

### Changes in managerial environment

- (1) Decreased production of Japanese automobiles  
(Fewer children, increased consumption tax)  
(Shifting production overseas)
- (2) Growth in emerging countries  
(Increased production)
- (3) Shift to compact cars

### Toyota Boshoku Issues



(1) Intensified competition

(2) Shifting to next-generation automobiles

(3) Expand business in emerging countries

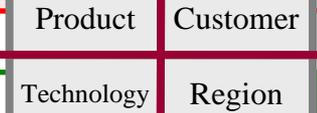
(4) Acquire new customers

(5) Challenges for Automobiles

# 2) Handling issues & improving systems

Organizational structure suited to business

Organization

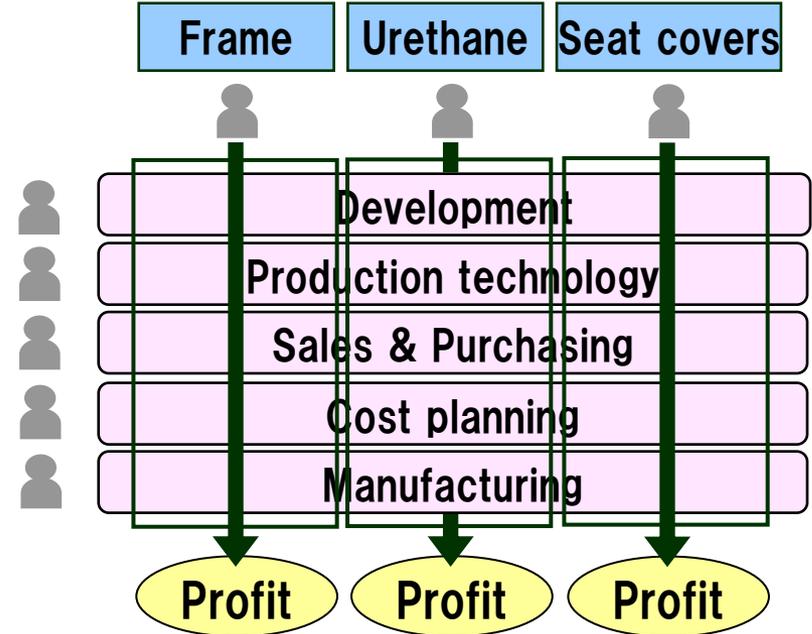
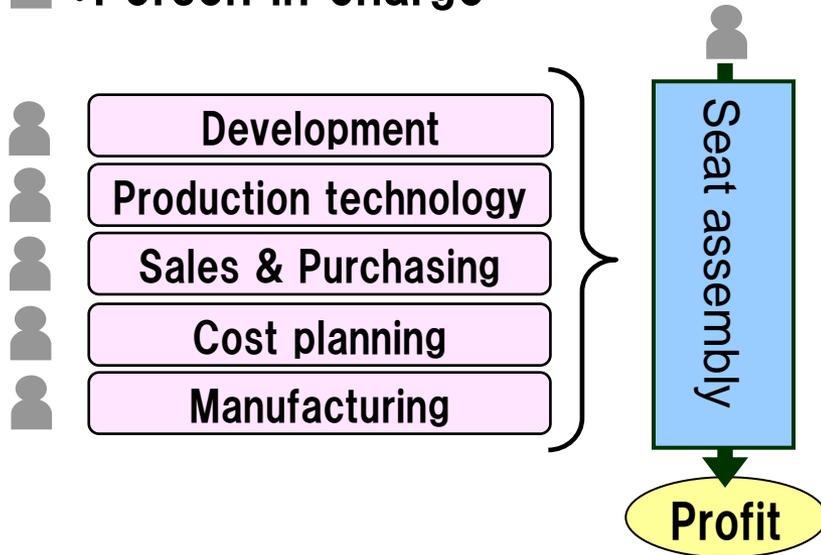


## 1) Product responsibility system (Structural products)

**Toyota Business**  
Mainly assembly orders

**NCB European car maker business, etc.**  
Product (by individual components orders by unit

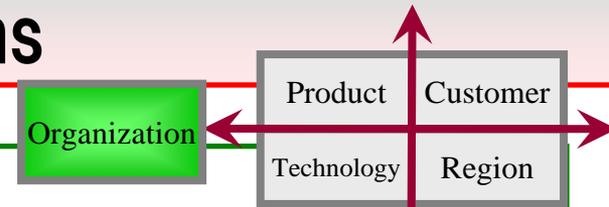
: Person in charge



**Aim to further improve individual components to surpass competitors**

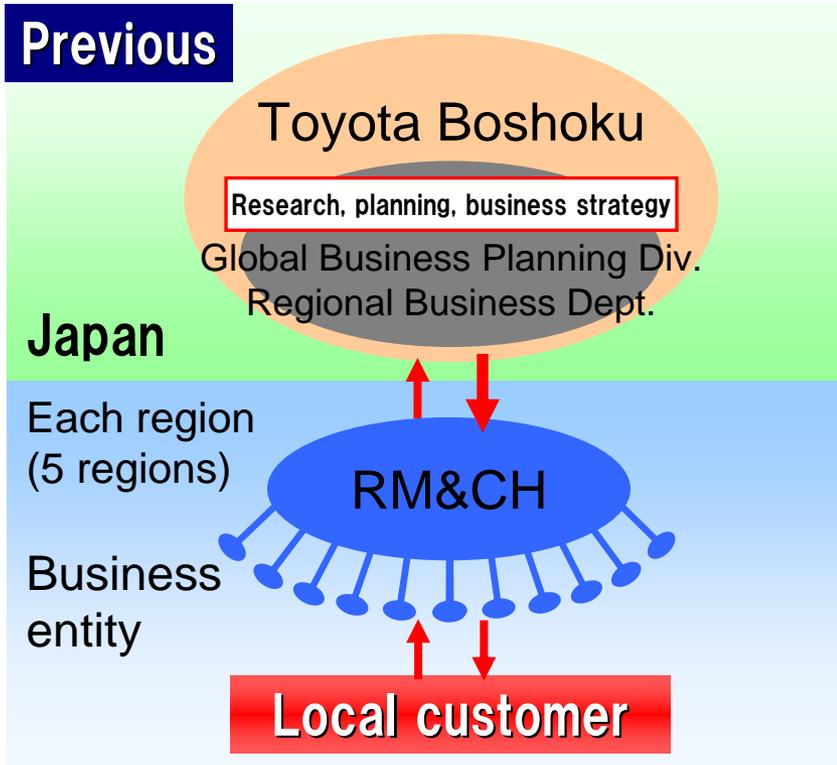
# 2) Handling issues & improving systems

Organizational structure suited to business

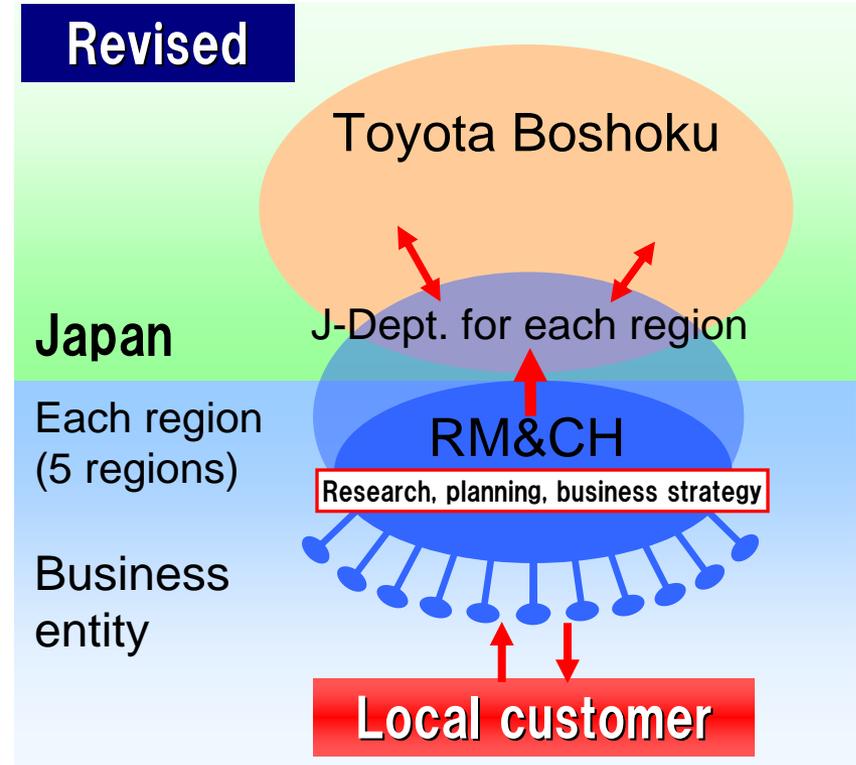


## 2) Speedy autonomous decision making in all 5 regions Research, planning, strategy planning & promotion to suit needs of local customers

### Previous

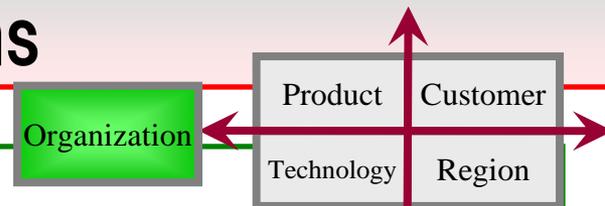


### Revised



## 2) Handling issues & improving systems

Organizational structure suited to business



### 3) ACT Promotion Department: New business fields Aircraft & Train business

Challenges for Automobiles

Initiatives including interior spaces for train cars & airplanes

Airplanes

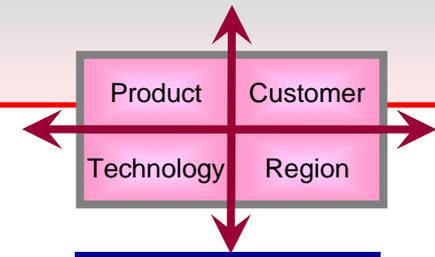
Train cars

Automobiles



# 3) Business expansion initiatives

## Expand 4 business axes



**Product**

**Customer**

Various mobility interiors

**NCB**  
(New Customer Business)

Enter new business fields

Current business



Application of  
core technology

Technical alliances

Emerging countries  
Toyota Business/NCB

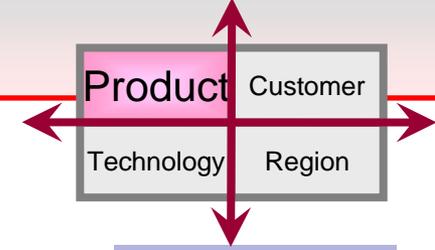
TB Sports Seat

**Technology**

**Region**

# 3) Business expansion initiatives

## Expand 4 business axes



**Product**

**Customer**

Various mobility interiors

NCB  
(New Customer Business)

Enter new business fields



Application of core technology

Technical alliances

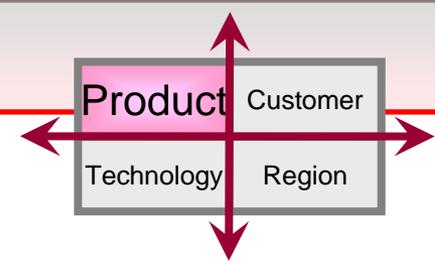
Emerging countries  
Toyota Business/NCB

TB Sports Seat

**Technology**

**Region**

### 3) Business expansion initiatives: Product



Apply technical knowledge acquired from automotive seats to other mobile interiors

#### (1) First seat order from JR Hokuriku Bullet Train for the “Gran Class” train car

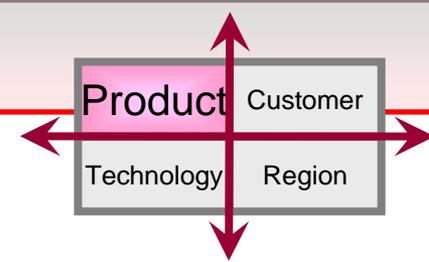


Created luxurious & comfortable seats tailored to the Gran Class

- High-quality materials & tailoring
- Luxurious & user friendly amenities
- Plush ergonomic seating that is comfortable even during long train excursions

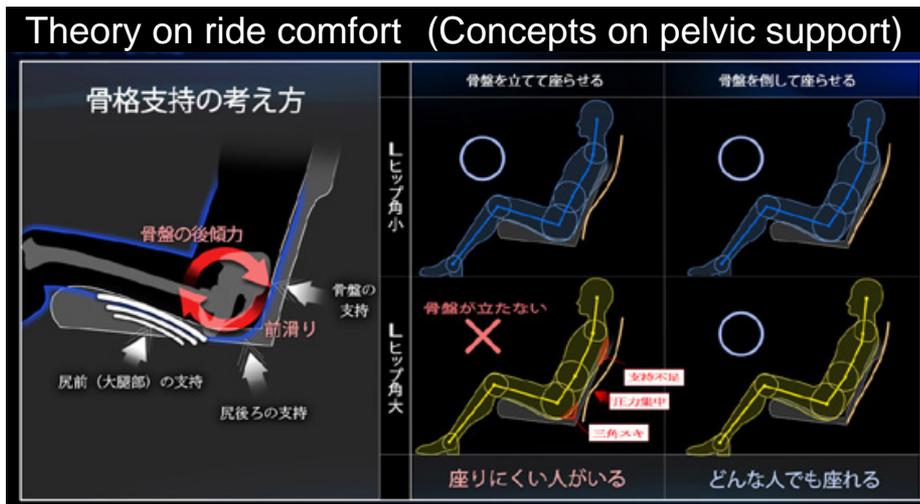
Aim to meet needs to enter market for high-grade train seats

### 3) Business expansion initiatives: Product



Apply technical knowledge acquired from automotive seats to other mobile interiors

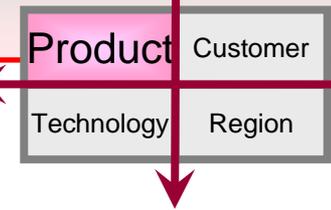
## (2) Making proposals to & taking orders from airline companies



- Leverage theories on ride comfort in our pursuit of comfortable seats that reduce fatigue
- Propose designs that provide passengers the most comfortable seats and interiors within limited space

Aim to meet needs to enter market for airplane seats

### 3) Business expansion initiatives: Product



## Enter new business field: Started sales of Nunokabe

Apply techniques from our original textile business & seat covers from our automotive and interior space business to create interior home decorations



- Soft, colorful wall decorations that add to room interiors
- A wide assortment of rich motifs can be arranged into a variety of patterns

(Jointly developed with Toyota Housing)

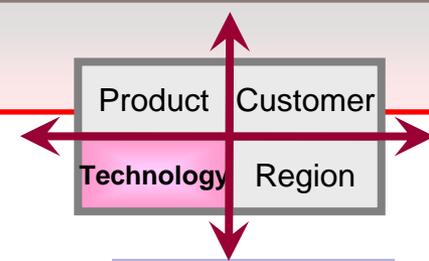


(Product logo)

Expand sales routes to include other housing manufacturers

# 3) Business expansion initiatives

## Expand 4 business axes



Product

Customer

Various mobility interiors

NCB  
(New Customer Business)

Enter new business fields

Current business



Application of  
core technology

Technical alliances

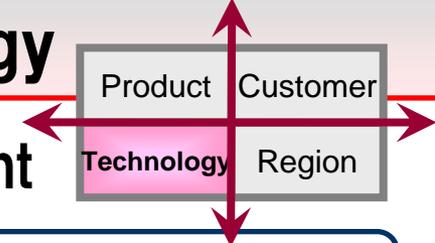
Emerging countries  
Toyota Business/NCB

TB Sports Seat

Technology

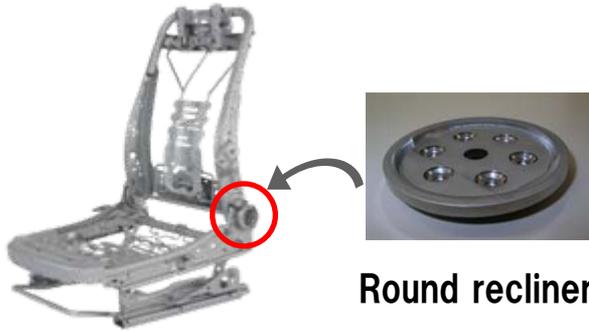
Region

# 3) Business expansion initiatives: Technology



## Applied core technology to new product development

### FHS Method Fine Hold Stamping



Precision stamping process

Competitive products & capacities

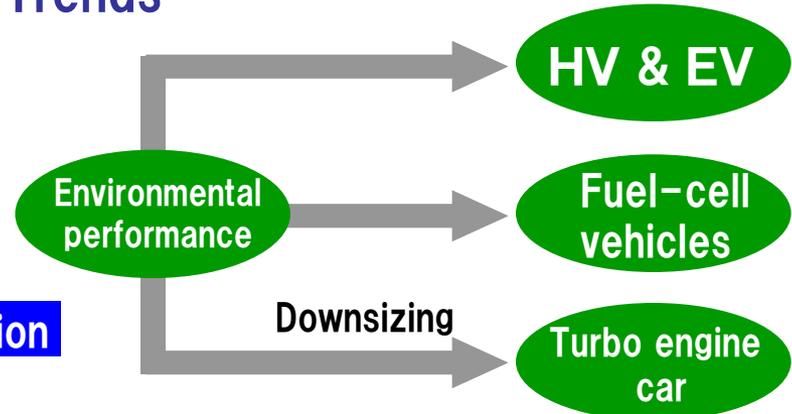
**Precise**

**High-quality**

**Enhanced production**

Competitive capacities in functional seat components

### Trends



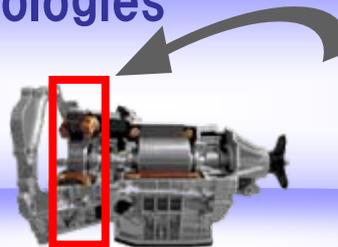
Desired fields for expansion

Business expansion in line with changing trends: launch into next-generation power train field

### Example of applied core technologies



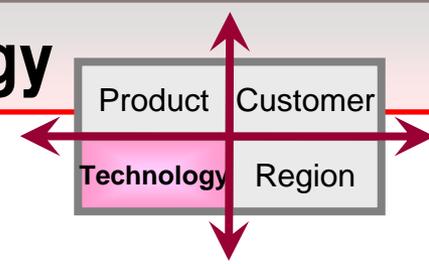
New Crown hybrid model



Motor core for HV

# 3) Business expansion initiatives: Technology

## Strengthen technology through alliances and undertake joint development

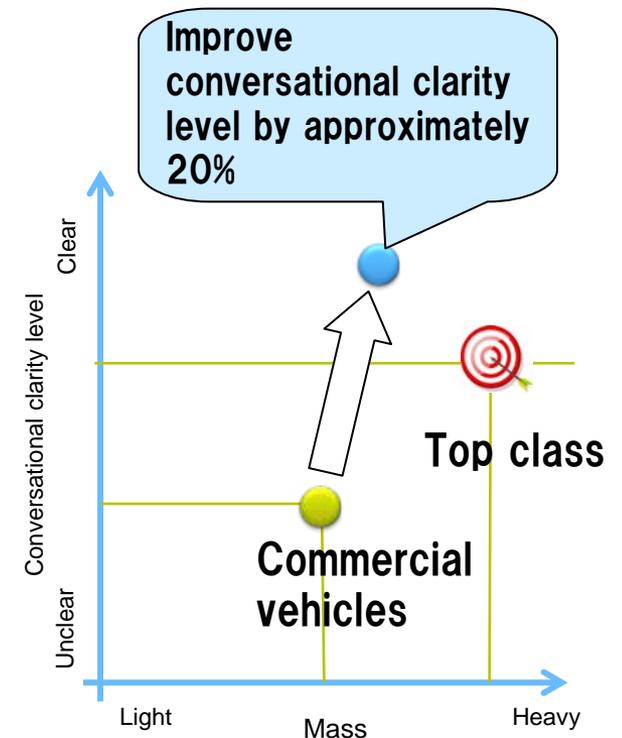


(1) **autoneum**  

Develop high quality packages at reasonable prices that improve noise and vibration performance to realize comfortable rides

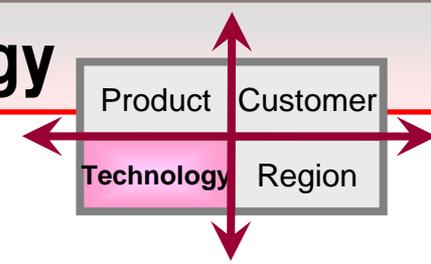


Making proposals of jointly developed products to customers with the aim to achieve top level noise and vibration performance for mid-to-small vehicles



### 3) Business expansion initiatives: Technology

## Develop products with added-value from technical alliances



(2)



Give new added-value to seats & interior spaces by fusing unique technology from all three companies

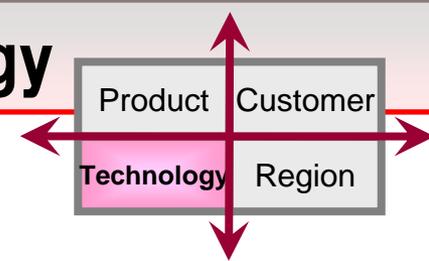


Damping technology  
Urethane foam technology  
Ride comfort & Safety technology

- Seats automatically adjust to different physiques
- Noise canceller built into seats
- Touch controls built into doors etc.

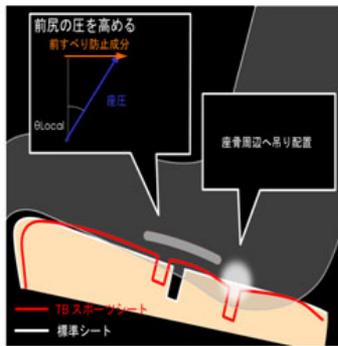
Aim to expand core technology & business fields via joint ventures

# 3) Business expansion initiatives: Technology Development of the TB Sports Seat



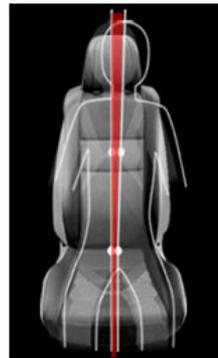
Improve marketability by pursuing ride comfort & high design

Pursuit of ride comfort → Improve fit & hold performance



## [1] Fit

Raise cushion in front of backside to improve fit



## [2] Side support

Side support helps restrain body



## [3] Knee support

Restrains side movement of leg when cornering & breaking

Installed in the iQ (limited sports car production)

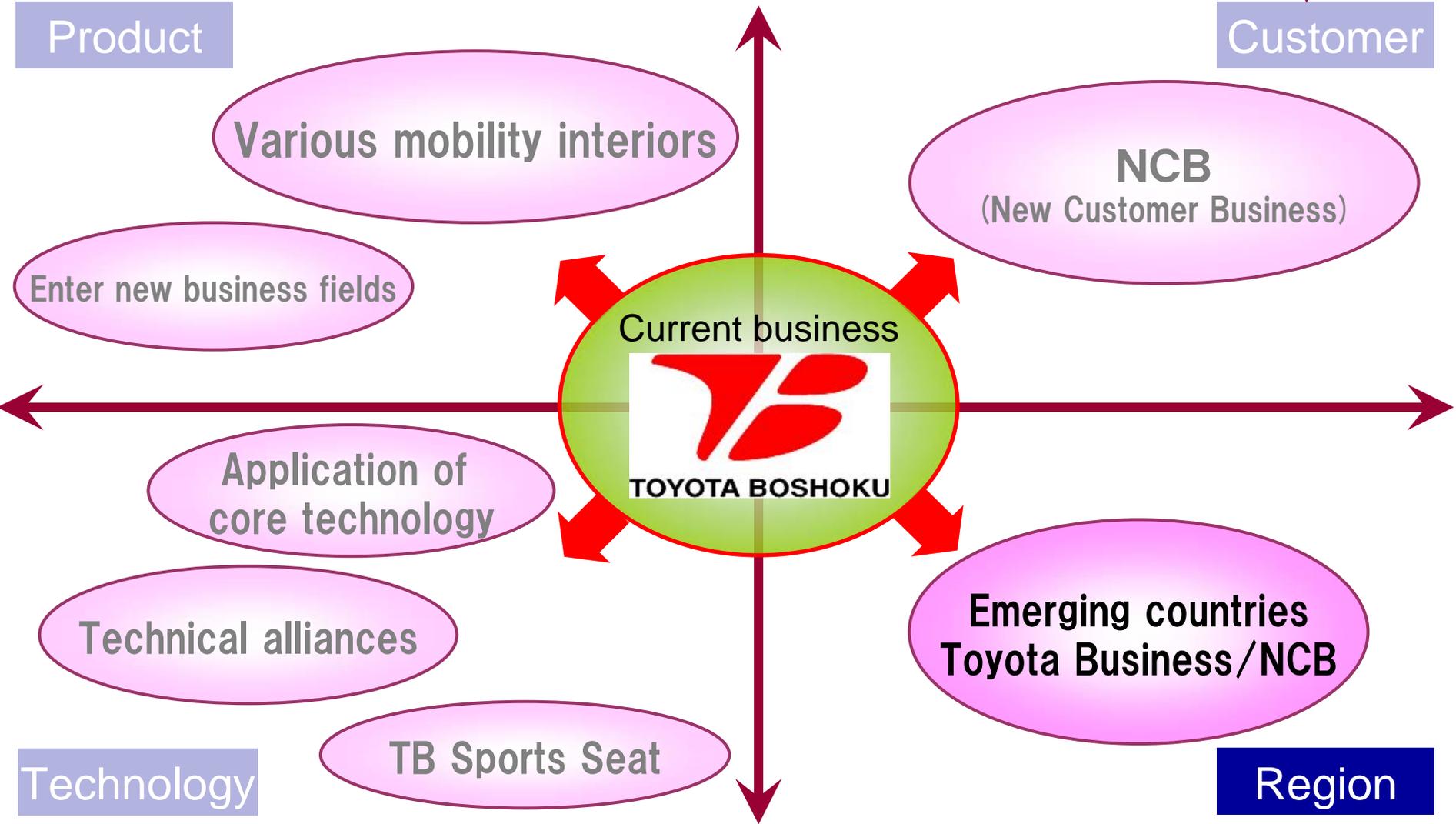
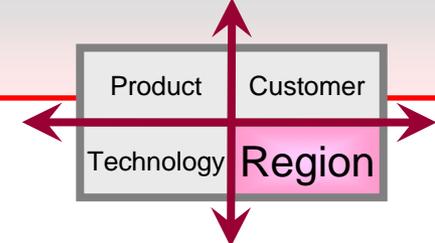


Pursuing high design → improve appearance & finish

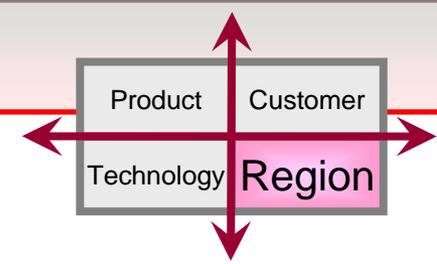
Shape that improves maneuverability and hold performance,  
Color gradation and coordination emphasizes functional beauty

# 3) Business expansion initiatives

## Expand 4 business axes



### 3) Business expansion initiatives: Region Developments for emerging countries

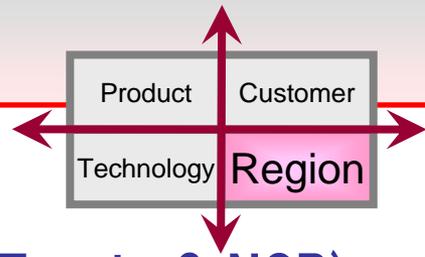


#### Basic thinking

- (1) Handle based on regional customer procurement needs  
(Toyota & NCB)
- (2) Preparing business foundation to expand NCB
- (3) Acquire competitive capabilities by solidifying supply chain

# 3) Business expansion initiatives: Region

## Developments for emerging countries: Pakistan



### (1) Handle based on regional customer procurement needs (Toyota & NCB)

#### Pakistani market

- Anticipate major growth in automotive market
- Japanese car manufacturers are expected to increase production numbers
- Local supplier infrastructure undeveloped

- Allows Toyota Boshoku to apply manufacturing capabilities built-up in the Asian Region
- Handle new advancements through regional procurement

**Production list**

Side frame

Seat tracks

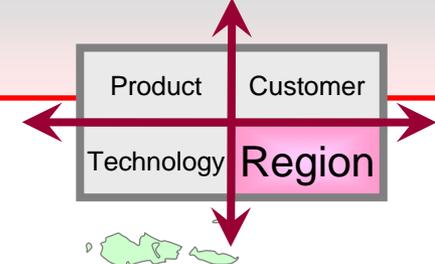
Air cleaners

Toyota

### Thal Boshoku Pakistan

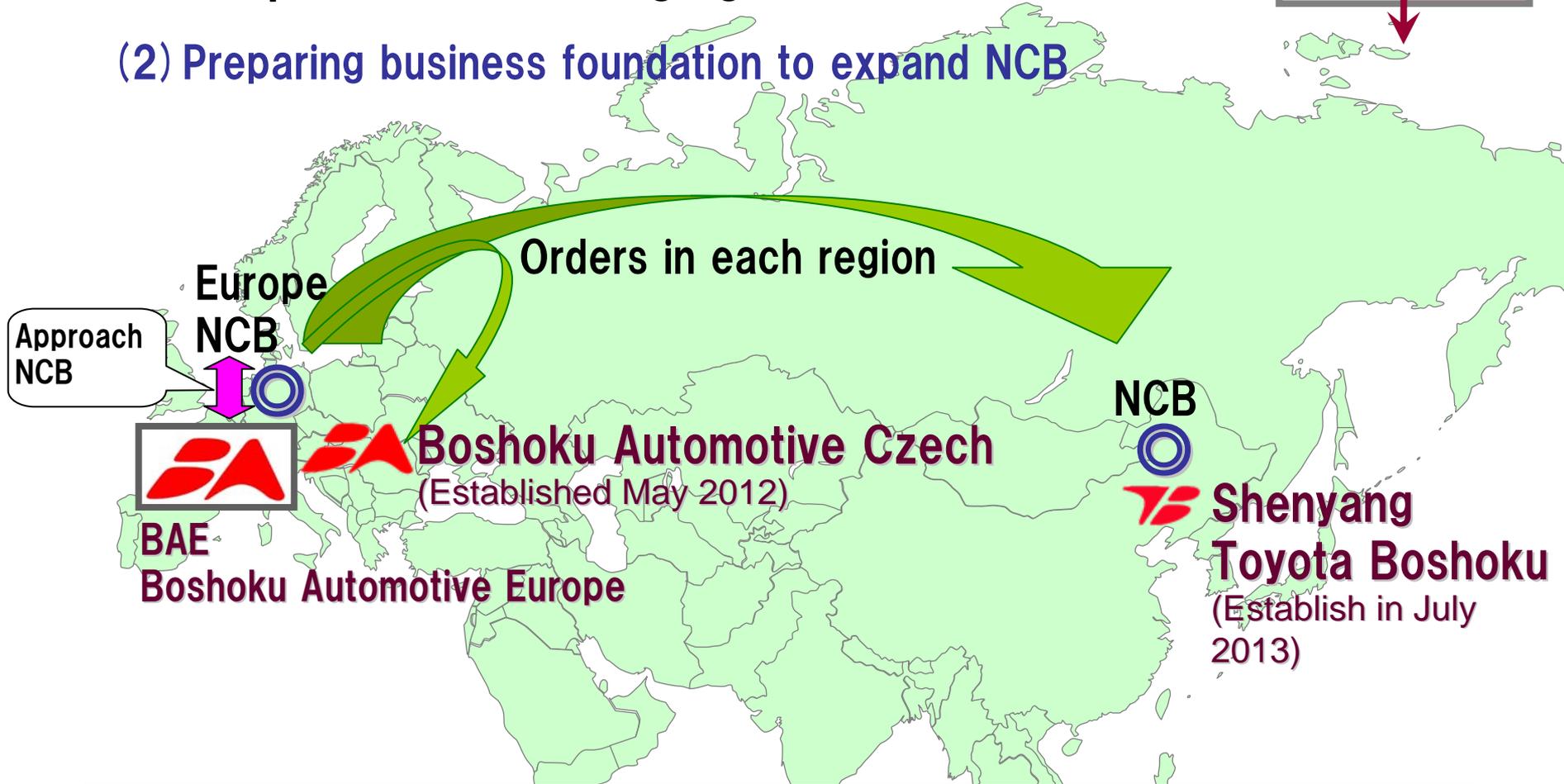
- Establish in August 2013
- Joint venture business with leading local product manufacturer
- ⇒ Joint venture plans to utilize lean production

# 3) Business expansion initiatives: Region



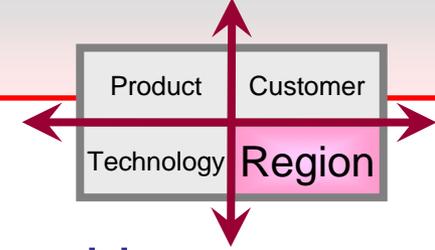
## Developments for emerging countries

### (2) Preparing business foundation to expand NCB



Establish manufacturing sites for NCB interior components (headliner, door trim, etc.) ordered, and expand to include seat assembly and other businesses in the future

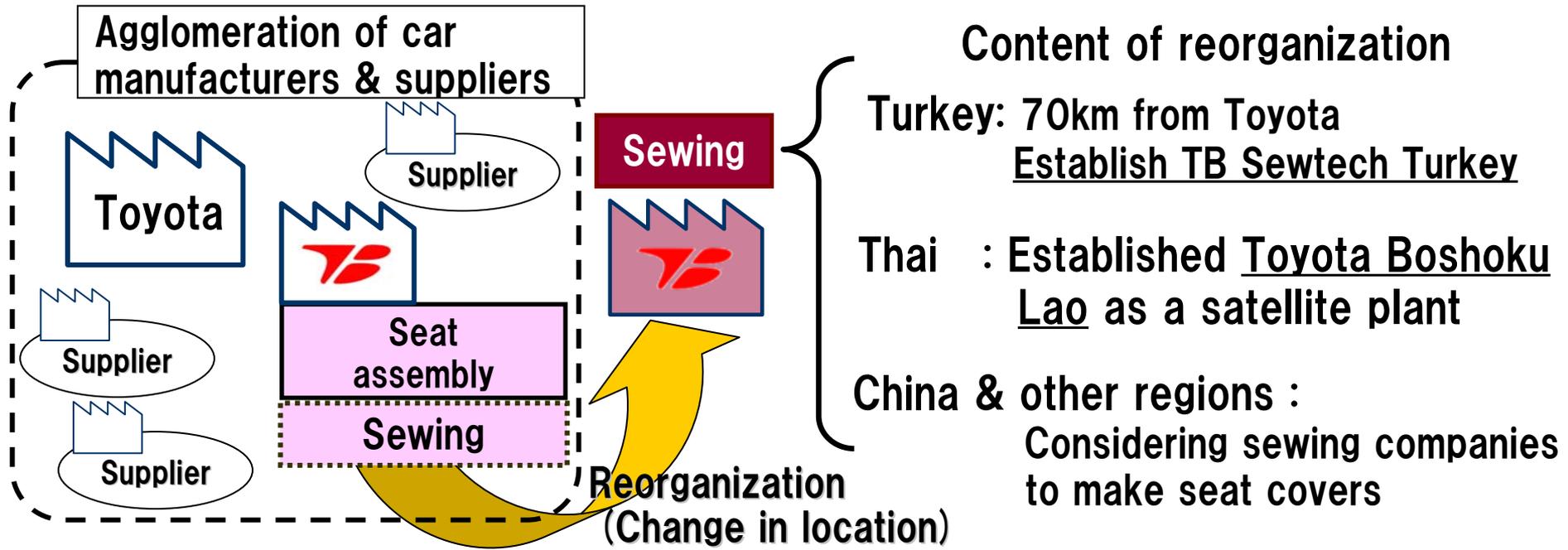
# 3) Business expansion initiatives: Region



## Developments for emerging countries

### (3) Enhance supply chain to become more competitive

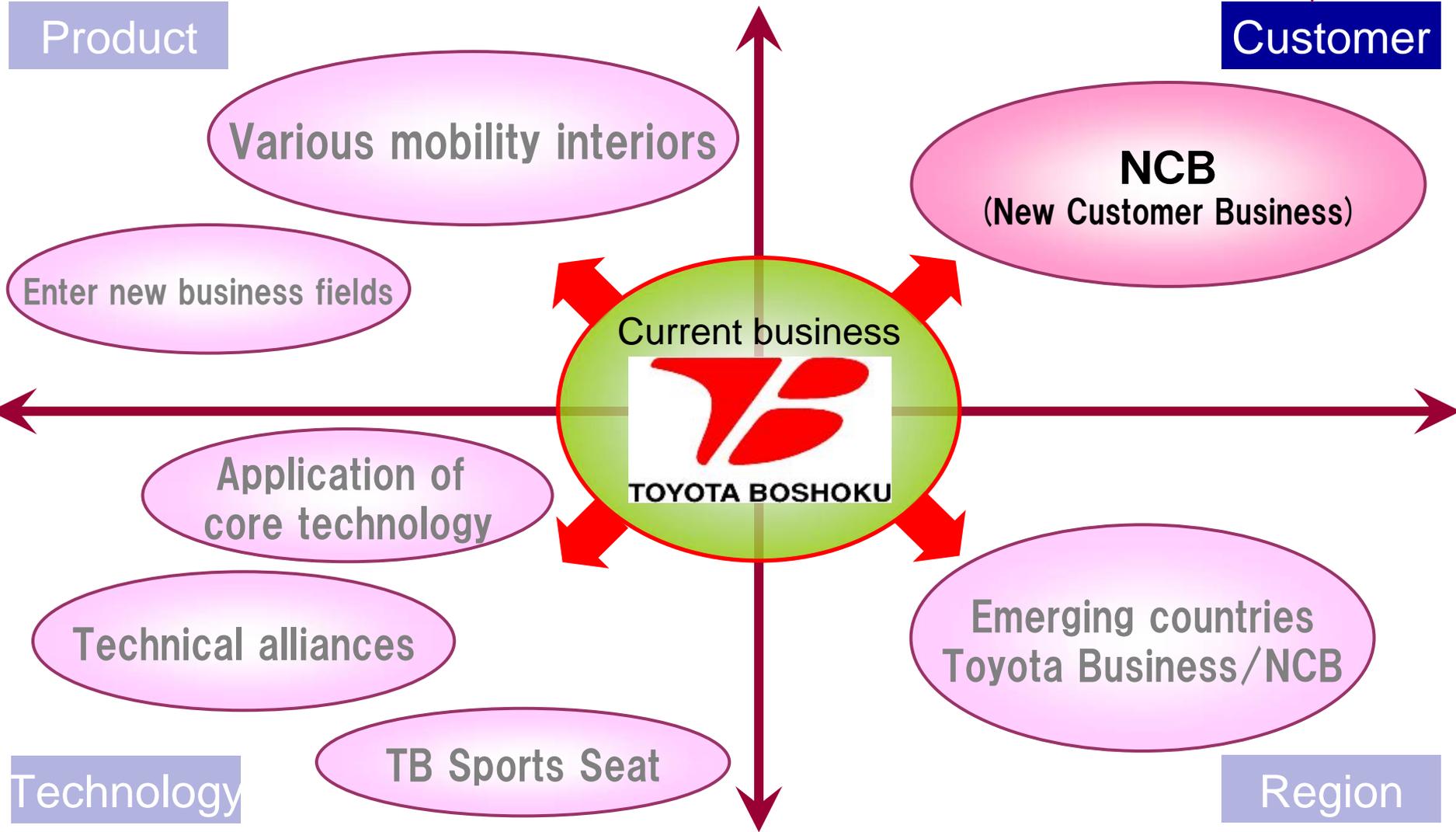
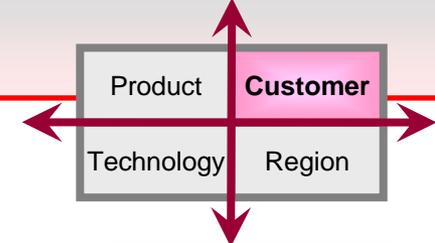
Reorganization of labor-intensive components business (sewing business, etc.)



- [1] Improve cost competitiveness
- [2] Reduce manufacturing risks due to regional issues

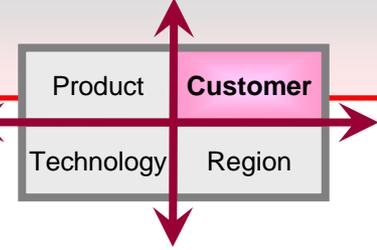
# 3) Business expansion initiatives

## Expand 4 business axes



# 3) Business expansion initiatives: Customer

Expand acquisition of NCB (New Customer Business)

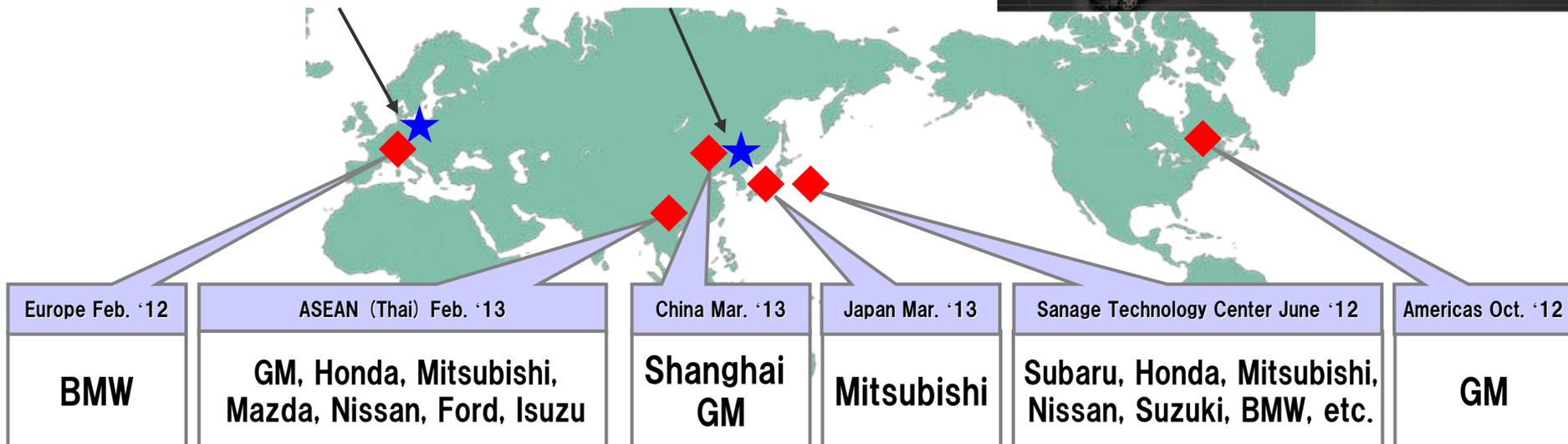


## (1) Building relationships with customers

Promote new technology to each car manufacturer by hosting tech days at Sanage Technology Center

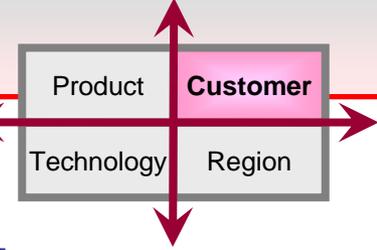
- ◆ Tech days for car manufacturers (NCB Tech Day, hold 6 times)
- ★ Exhibitions at regional motor shows (2013: Sept., Frankfurt; April, Shanghai)

Exhibition: Image showing business growth from original business to current

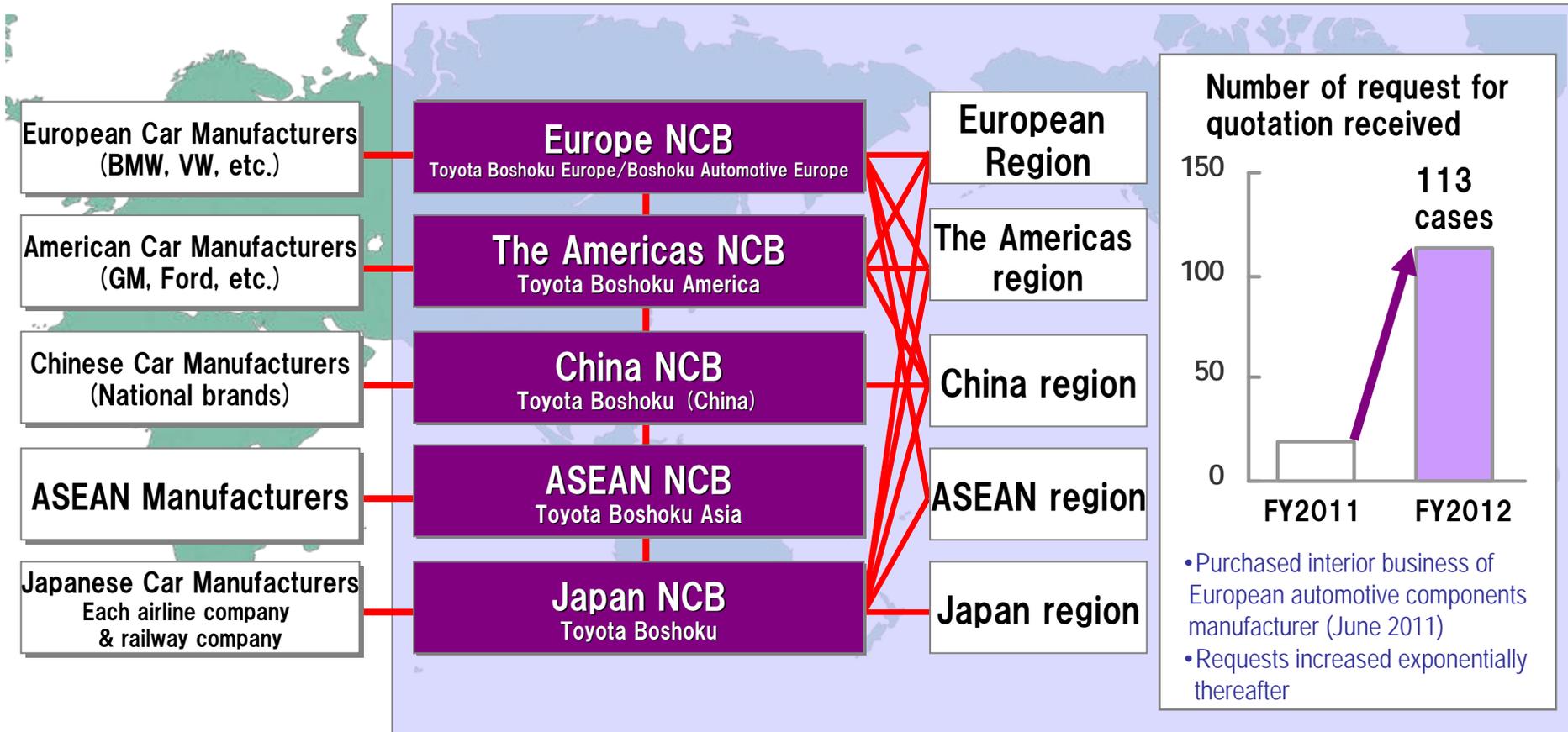


# 3) Business expansion initiatives: Customer

## Expand acquisition of NCB (New Customer Business)



(2) Set up NCB Divisions in each car manufacturer's region to undertake sales activities to acquire new customer business



## 4) Initiatives to strengthen business foundation

Reorganization of Japanese plants to handle environmental changes

Set up scenarios for plant reorganization to obtain revenues for each factory & component

Basic thinking on factory reorganization

(1) Optimize production areas

(Seat assembly plants, component plants & new businesses, etc.)

(2) Enhance efficiency of current processes

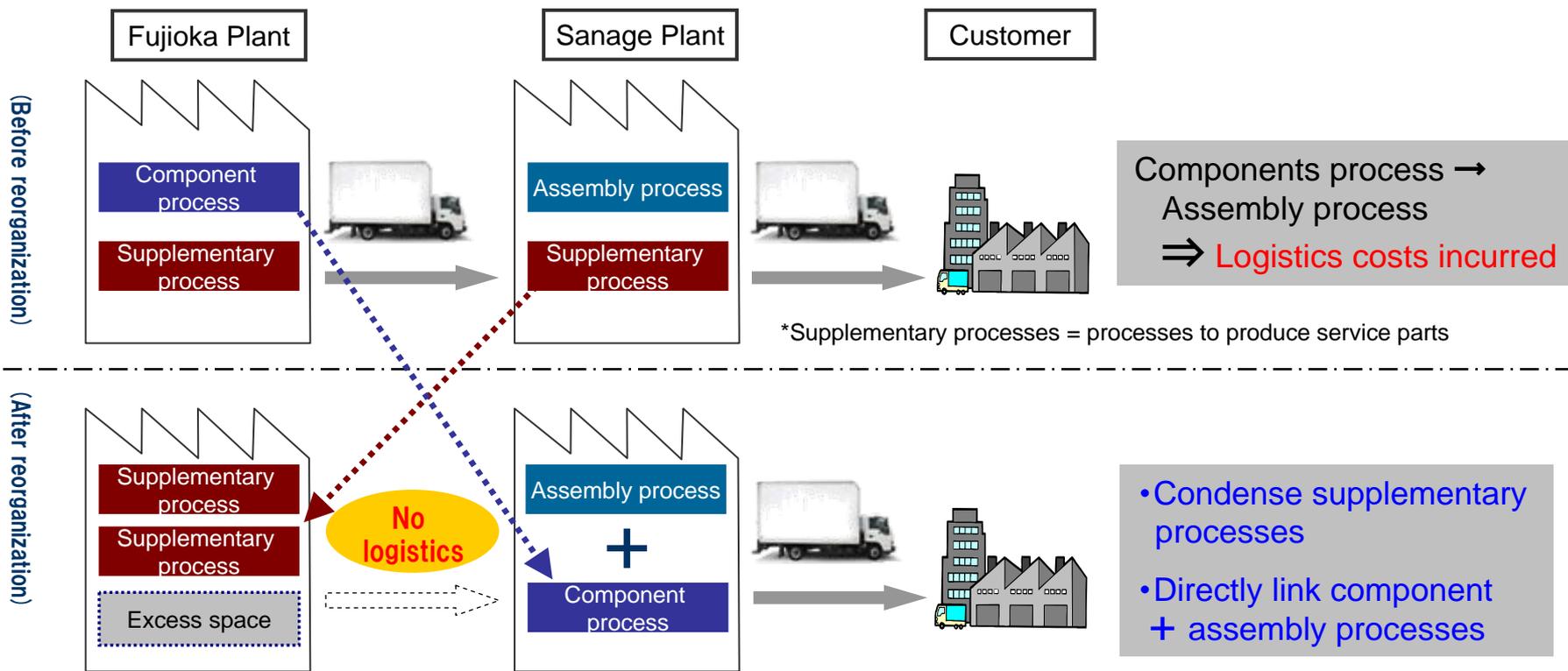
(3) Optimize placement of new businesses

# 4) Initiatives to strengthen business foundation

## (1) Optimize production areas

(Seat assembly plants, component plants & new businesses, etc.)

Ex.) Condense components & assembly plants and shift to supplementary component plants  
<Reorganization of Fujioka & Sanage plants>

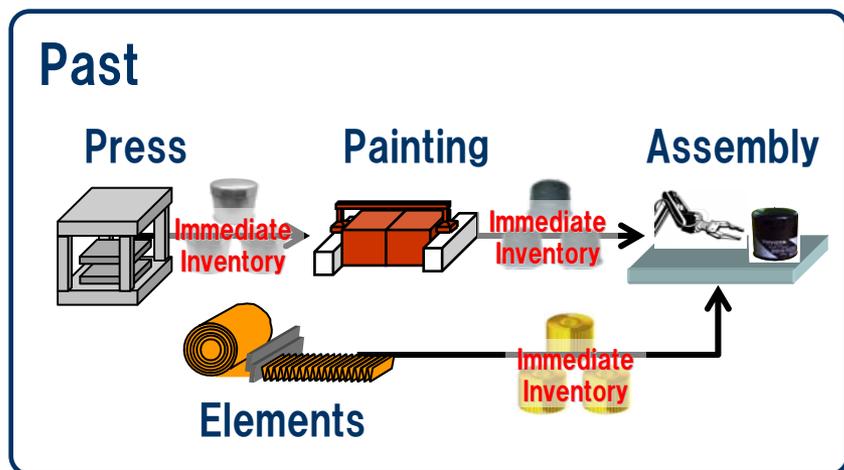


• Reduce logistics costs   • Labor savings   • Utilize excess space ⇒  
and use as research space

# 4) Initiatives to strengthen business foundation

## (2) Enhance efficiency of current processes

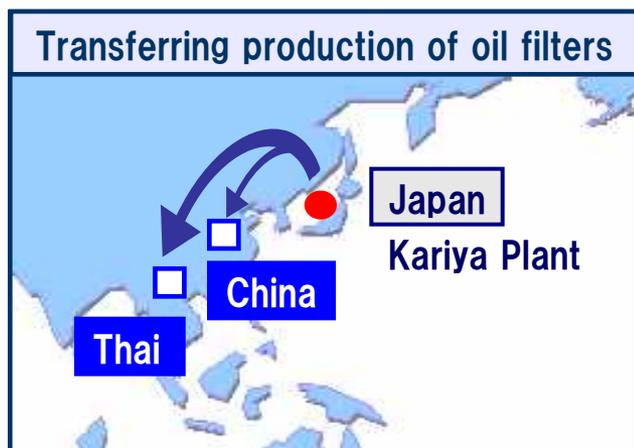
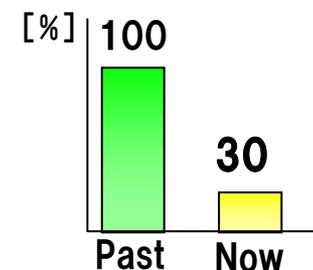
Ex.) After making oil filter production processes more compact, shift overseas



Oil filters



[ Production space ]



Change to more compact/slim production lines

Condense production sites from 3 to 2

# 4) Initiatives to strengthen business foundation

## (3) Optimize placement of new businesses

Ex.) Transfer overseas and utilize domestic space obtained from reorganization for new business and production engineering research

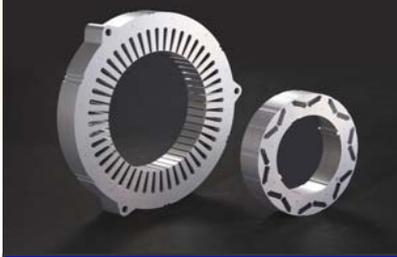
### New business locations

**Kisogawa Plant**

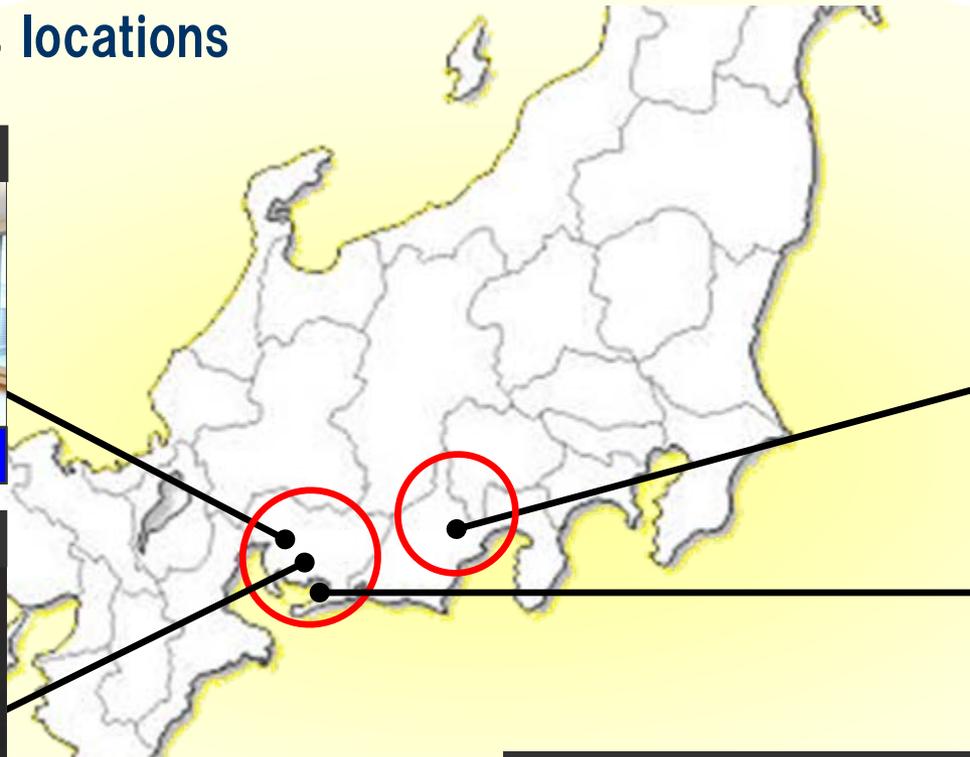


**Produce Nunokabe**

**Kariya Plant**



**Motor Core for HV**



**Fujisusono Plant**



**Produce railway car seats**

**Toyohashi Plant**

**Space to handle new business**

**Pursue optimal production & logistics**

# Summary

Annual Slogan for FY2013

**Quantum Leap**

## Annual Slogan

**Manufacturing that foresees the times and trends  
Uncompromising products for customers  
~ Move to the next stage  
with a **Quantum Leap** and **Tenacity** ~**



## 2. Financial Results for FY2013

- 1) Overview of financial results
- 2) Financial results for FY2013

# 1) Overview of financial results

1. Compared to previous year, profits increased due to production recovery in Japan and increased production in Asia & Oceania
2. Dividends for the end of the fiscal year are 10 yen and saw an annual increase of 2 yen compared to last year for a total of 18 yen
3. Due to production increases and exchange rates, increases in sales and profit will occur next term

## 2) Financial results for FY2013

Japan and Asia & Oceania regions saw increases in sales and profits due to production increases

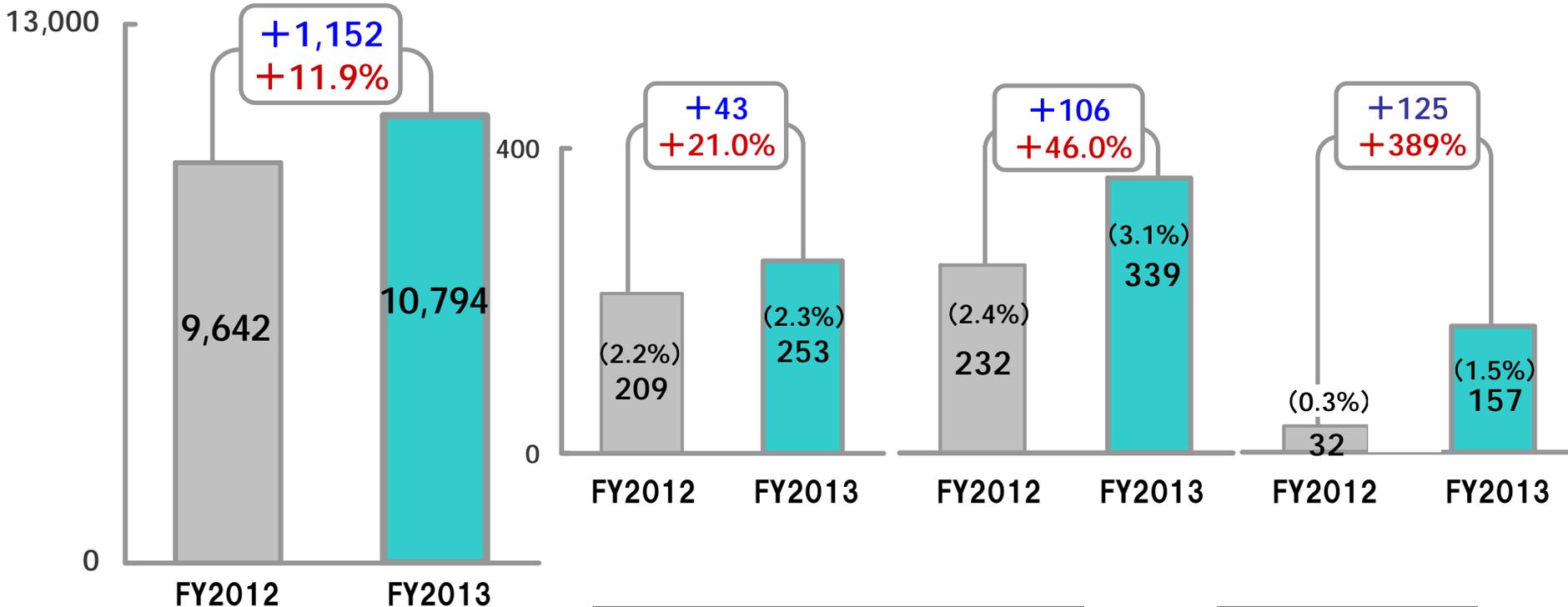
### Net sales

### Operating income

### Ordinary income

### Net income

(100 million yen)



US\$	79.08yen	83.11yen
RMB	12.35yen	12.67yen
Thai baht	2.59yen	2.71yen
EUR	108.98yen	107.14yen

### Net income per share

### Dividends

**17.45** yen → **85.23** yen    **16** yen → **18** yen

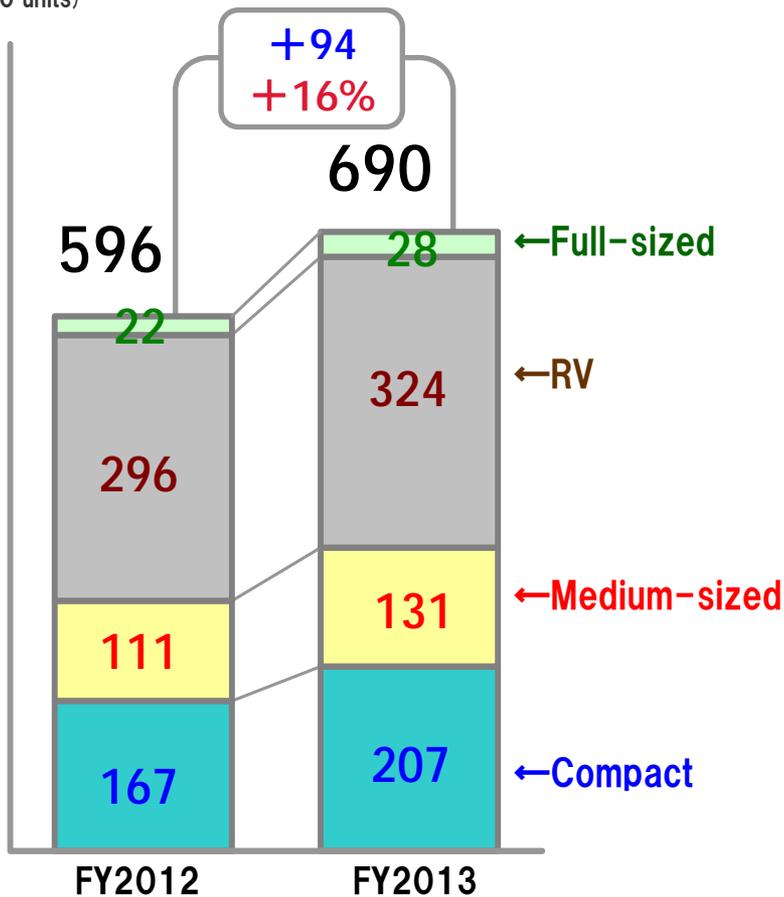
# 2) Financial results for FY2013 Unit production by region

All regions saw production increases centering on compact cars

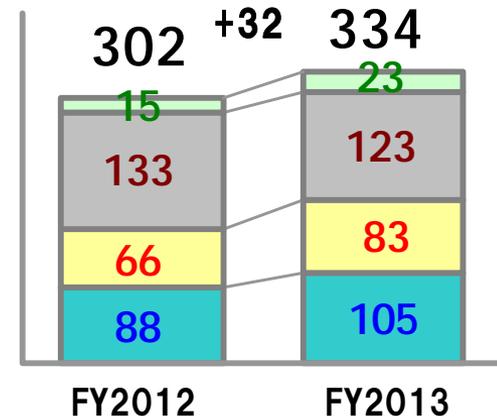
## Seat assembly production

### Total

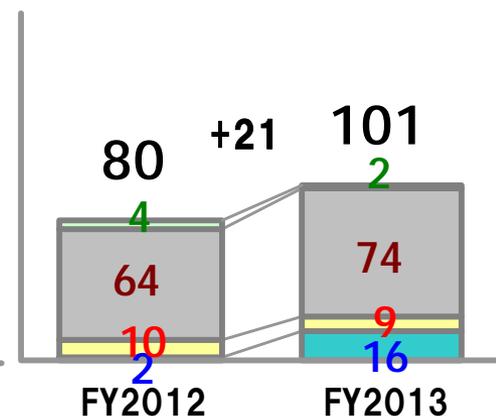
(10,000 units)



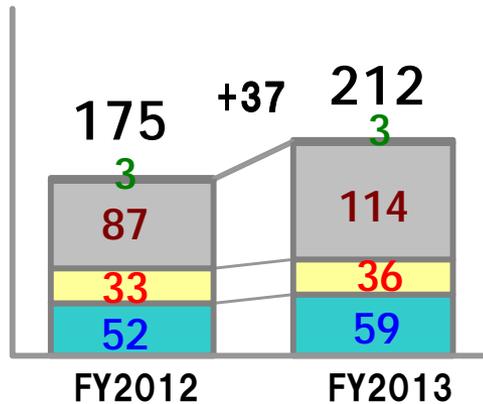
### Japan



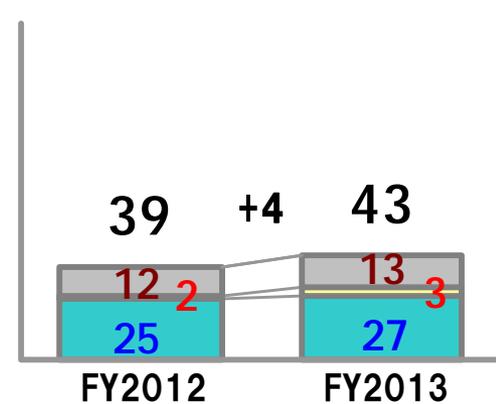
### The Americas



### Asia & Oceania



### Europe & Africa



# 2) Financial results for FY2013

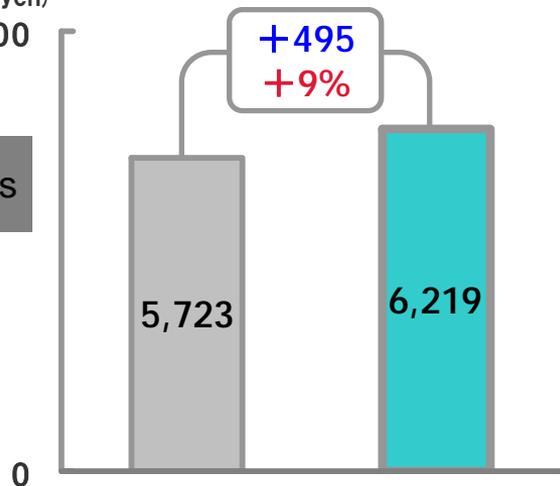
## Net Sales & Operating Income by Region

### Japan

(100 million yen)

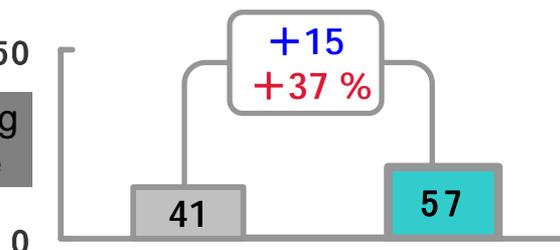
8,000

Net Sales



Operating Income

150



(Operating income to net sales)

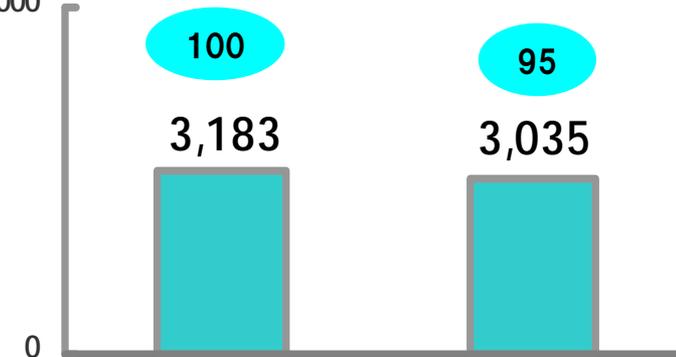
FY2012

FY2013

Separated by First & Second Half of FY2013

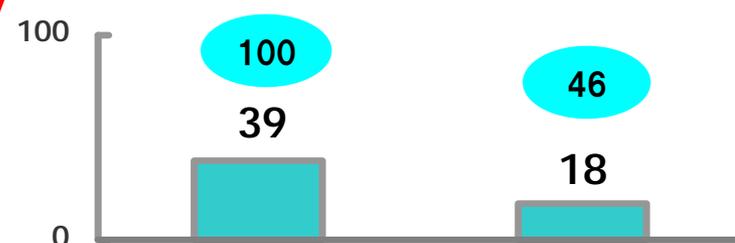
### Net Sales

6,000



### Operating Income

100



First-half

Second-half

•Eco-friendly car subsidies finished and reduced production in China caused a decline in profits in the 2<sup>nd</sup>-half however, recovery in production and positive results from rationalization saw increases in sales and profits.

# 2) Financial results for FY2013

## Net Sales & Operating Income by Region

### The Americas

(100 million yen)

2,500

Net Sales

1,424

1,765

+341  
+24%

100

Operating Income

-59

(-4.2%)  
FY2012

-34

(-2.0%)  
FY2013

+24

-

-100

(Operating income to net sales)

### Net Sales

1,500

100

864

104

901

0

### Operating Income

50

100

-9

-

-25

-50

First-half

Second-half

Separated by  
First &  
Second Half  
of FY2013

•Production preparation costs in the 2<sup>nd</sup>-half for Brazil EFC, Canada RAV4 and other factors led to a decline in profits however losses for the year were decreased

# 2) Financial results for FY2013

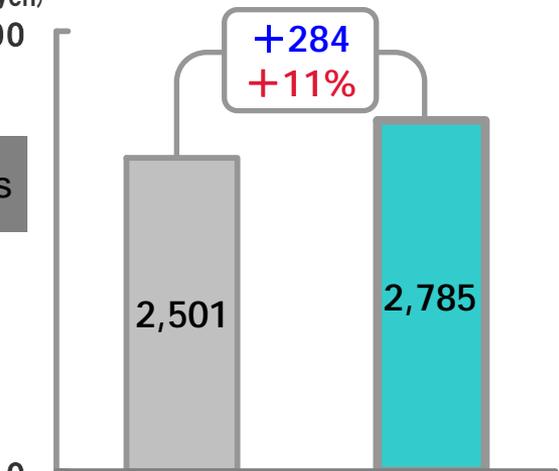
## Net Sales & Operating Income by Region

### Asia & Oceania

(100 million yen)

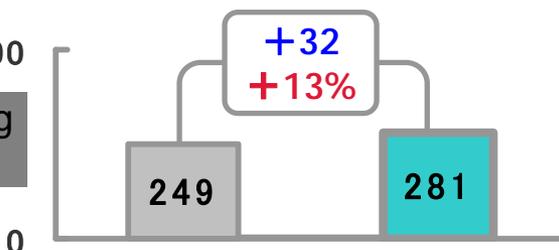
3,500

Net Sales



Operating Income

500



(Operating income to net sales)

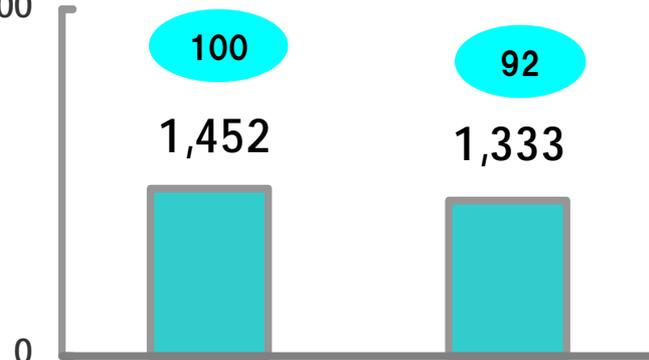
(10.0%)  
FY2012

(10.1%)  
FY2013

Separated by  
First &  
Second Half  
of FY2013

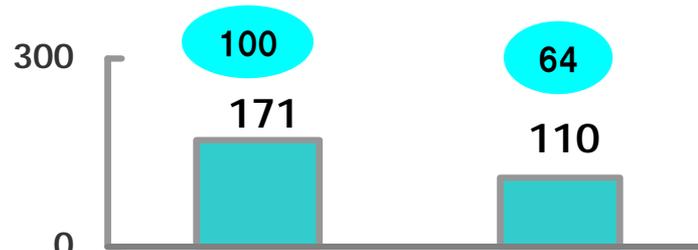
### Net Sales

3,000



### Operating Income

300



First-half

Second-half

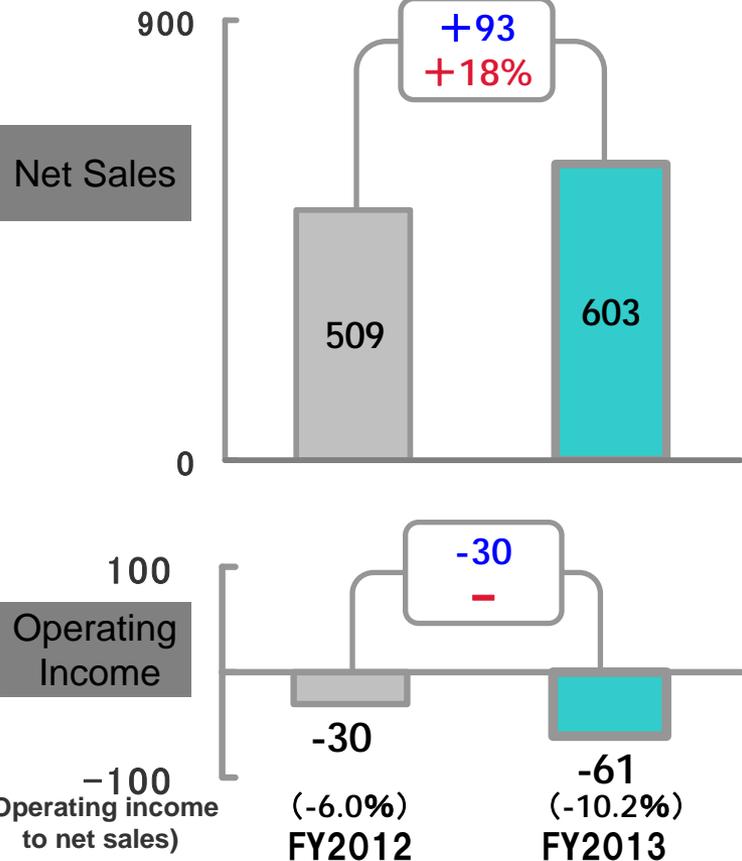
• In the 2<sup>nd</sup>-half, saw impacts due to reduced production in China however, production increases in the ASEAN region saw increases in sales and profits.

# 2) Financial results for FY2013

## Net Sales & Operating Income by Region

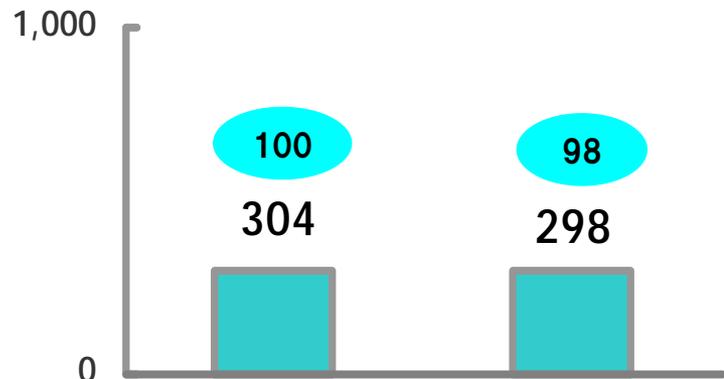
### Europe & Africa

(100 million yen)

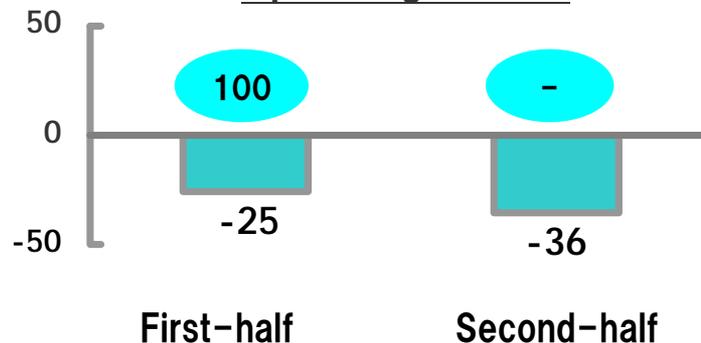


Separated by First & Second Half of FY2013

### Net Sales



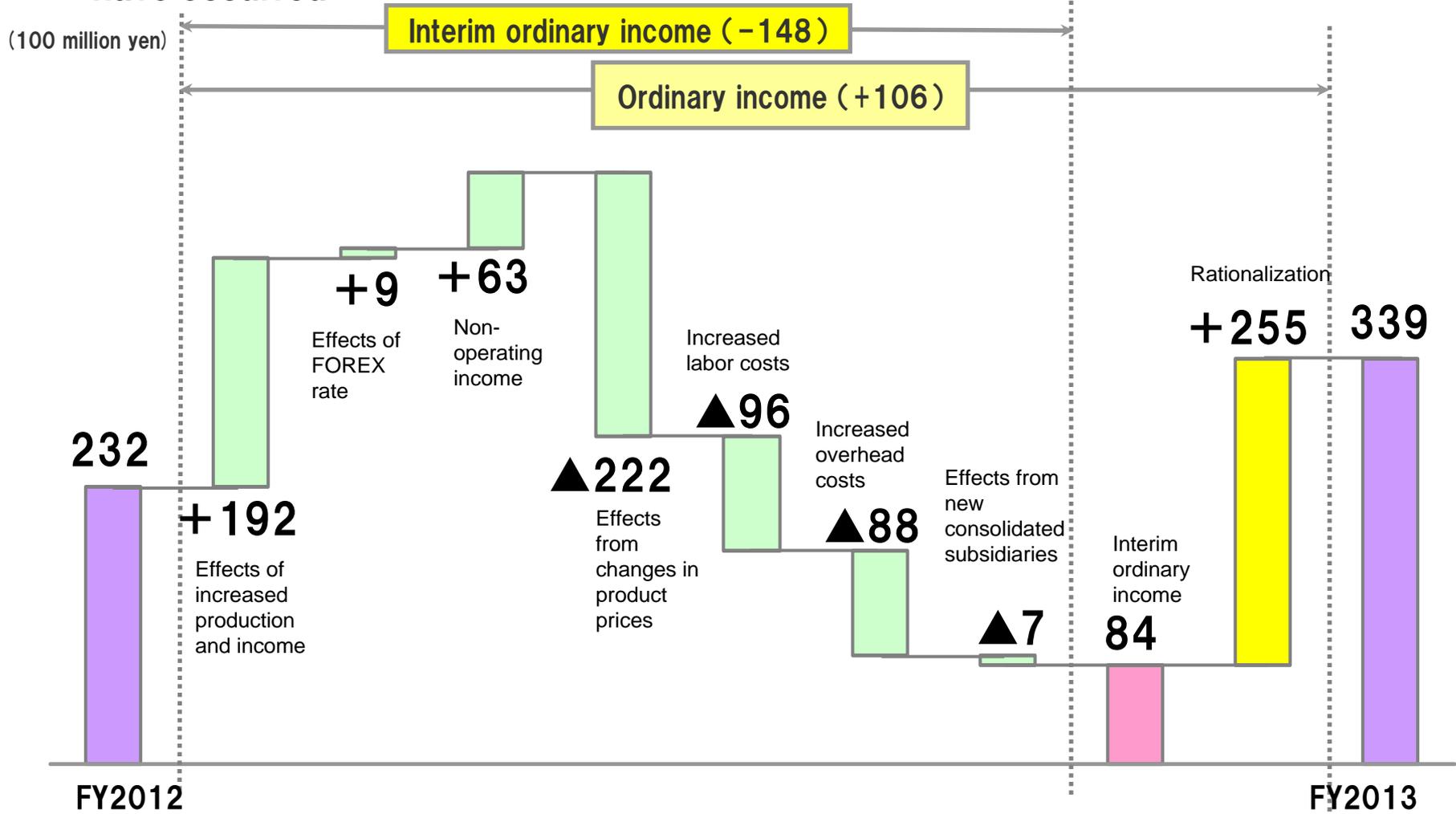
### Operating Income



- Contributions from BAE saw increases revenues
- Losses increased due to costs for NCB activities and setting up a new NCB company in Czech

# 2) Financial results for FY2013 Ordinary Income Increase/Decrease Analysis

Rationalization led to increased revenues otherwise large losses in revenue would have occurred





### 3. Estimates for FY2014

# 1) Estimates for FY2014

Overseas production increases led to increased sales and profits

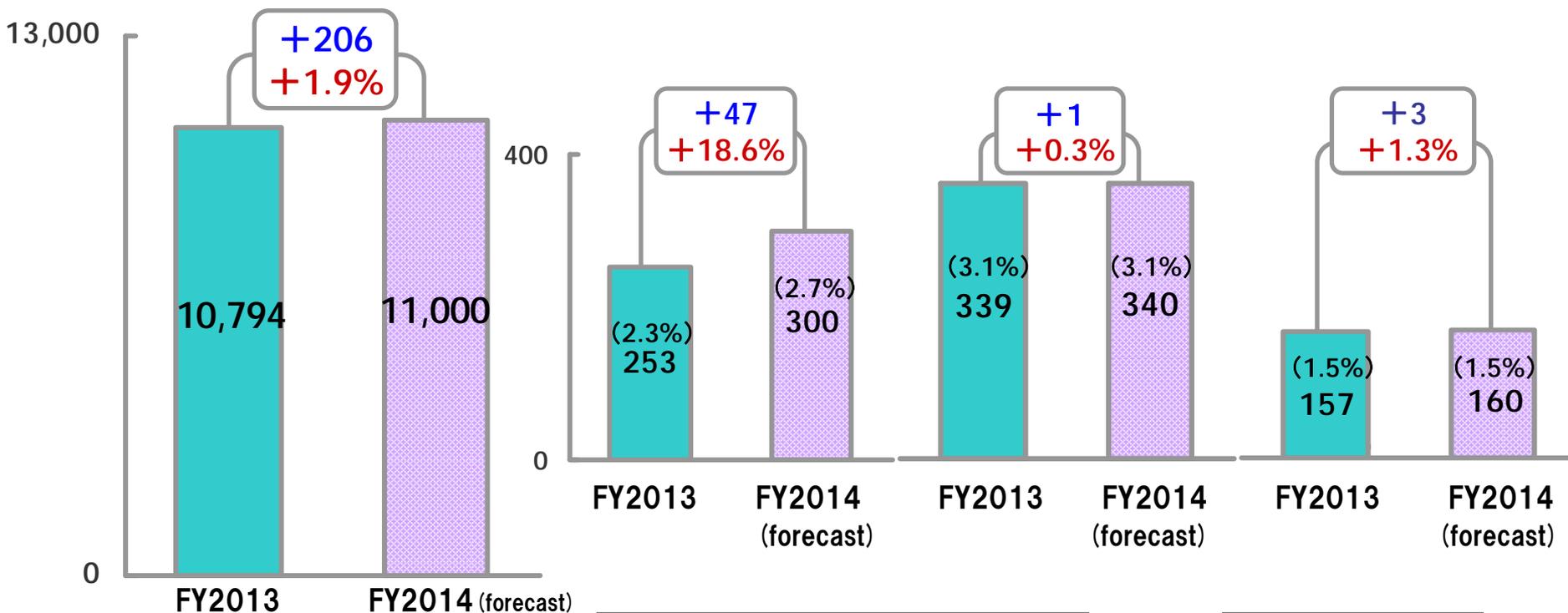
## Net sales

## Operating income

## Ordinary income

## Net income

(100 million yen)



US\$	83.11yen	90.00yen
RMB	12.67yen	14.50yen
Thai Baht	2.71yen	3.00yen
EUR	107.14yen	120.00yen

## Net income per share

85.23 yen → 86.35 yen

## Dividends

18 yen → 18 yen

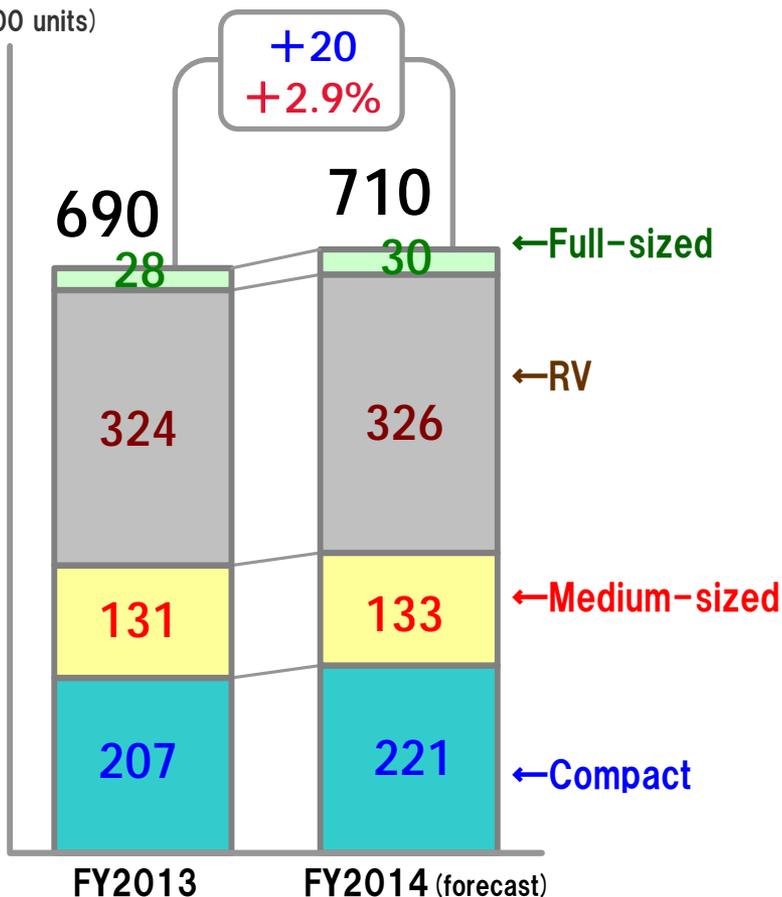
# 1) Estimates for FY2014 Unit production by region

Decreases in Japan, focus increases in compact vehicles overseas for overall increases

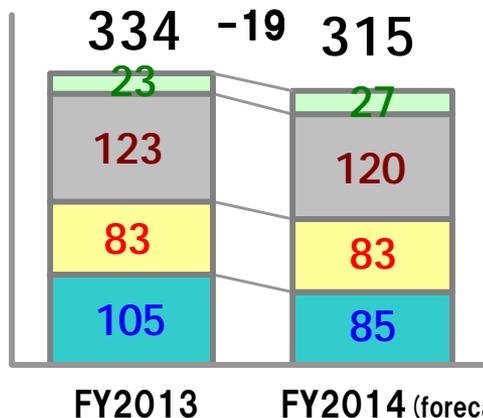
## Seat assembly production

### Total

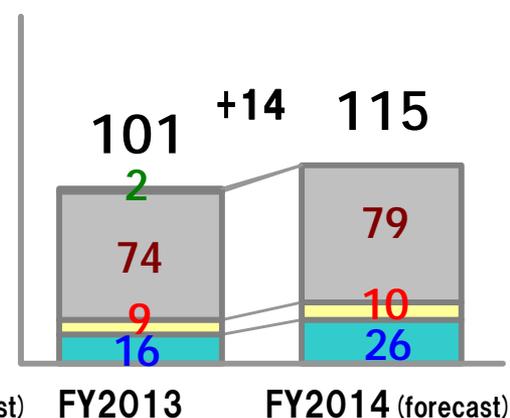
(10,000 units)



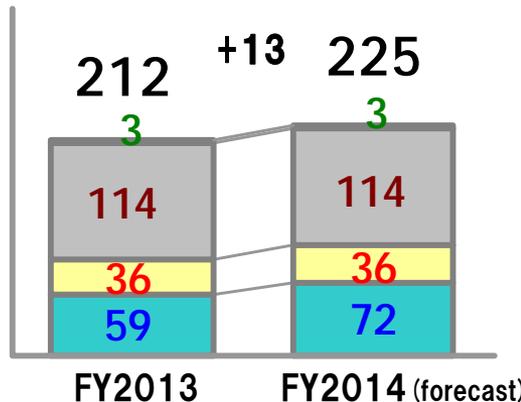
### Japan



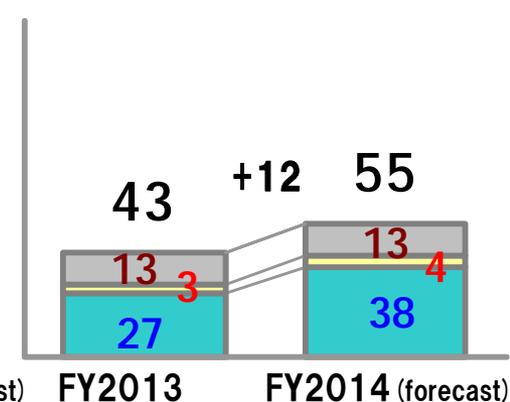
### The Americas



### Asia & Oceania



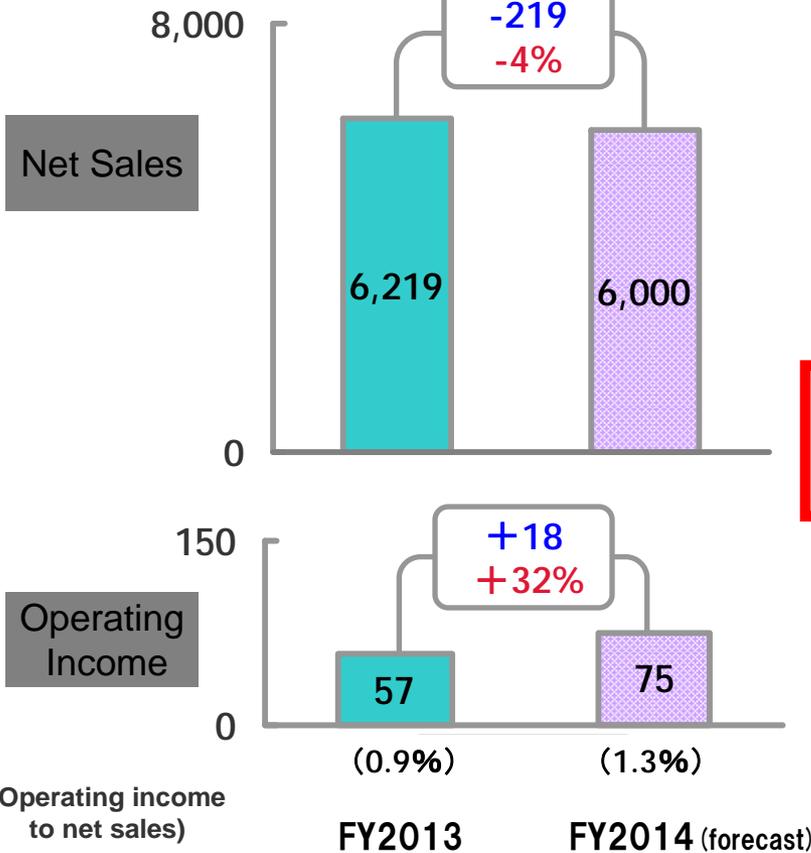
### Europe & Africa



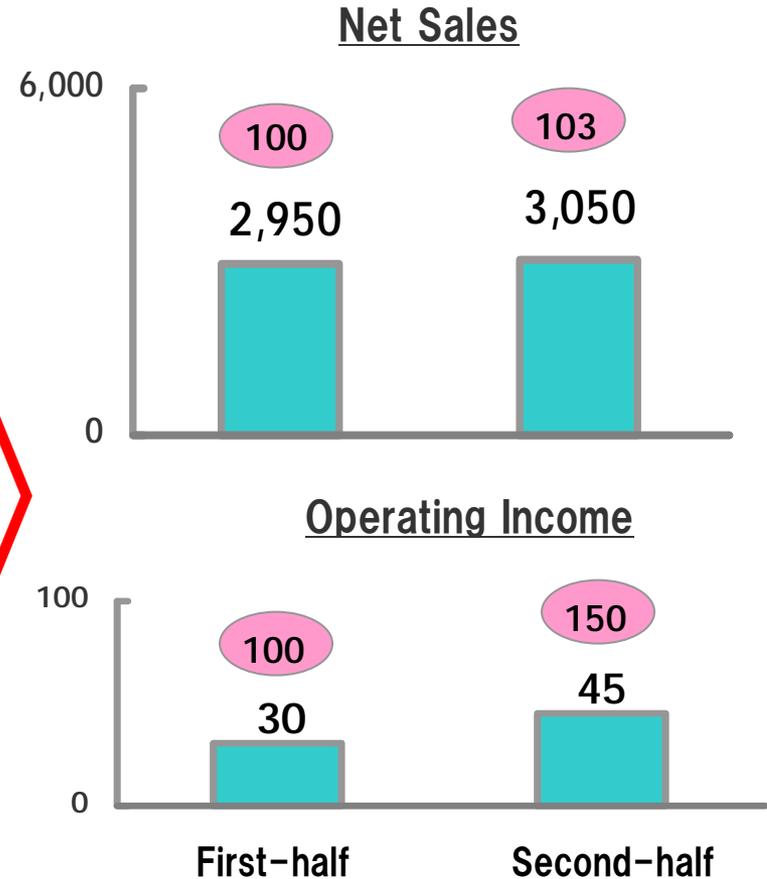
# 1) Estimates for FY2014 Net Sales & Operating Income by Region

## Japan

(100 million yen)



Separated by First & Second Half of FY2014

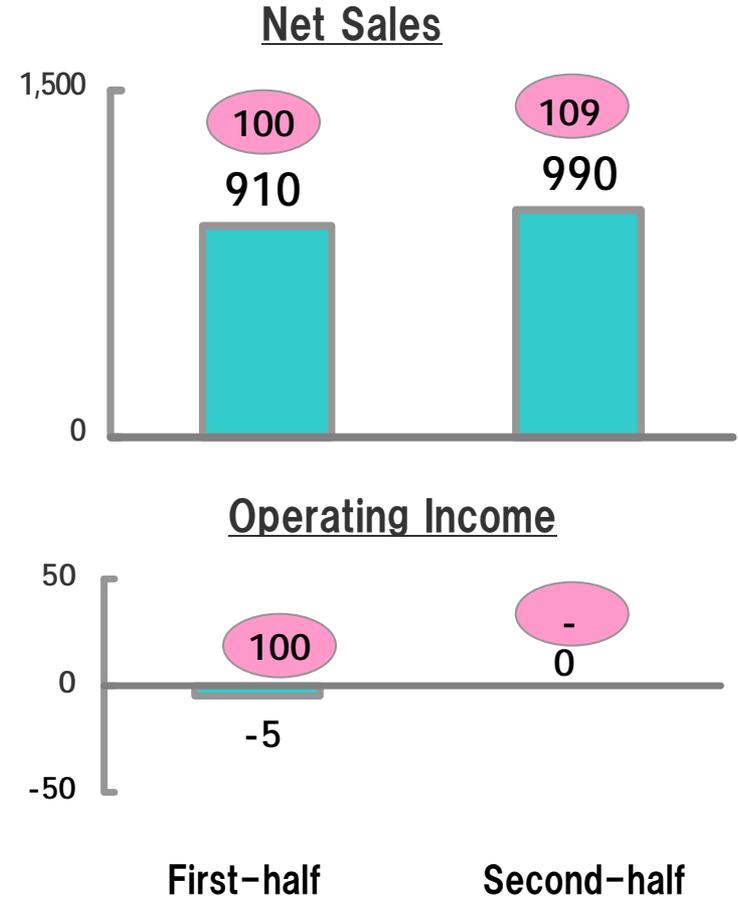
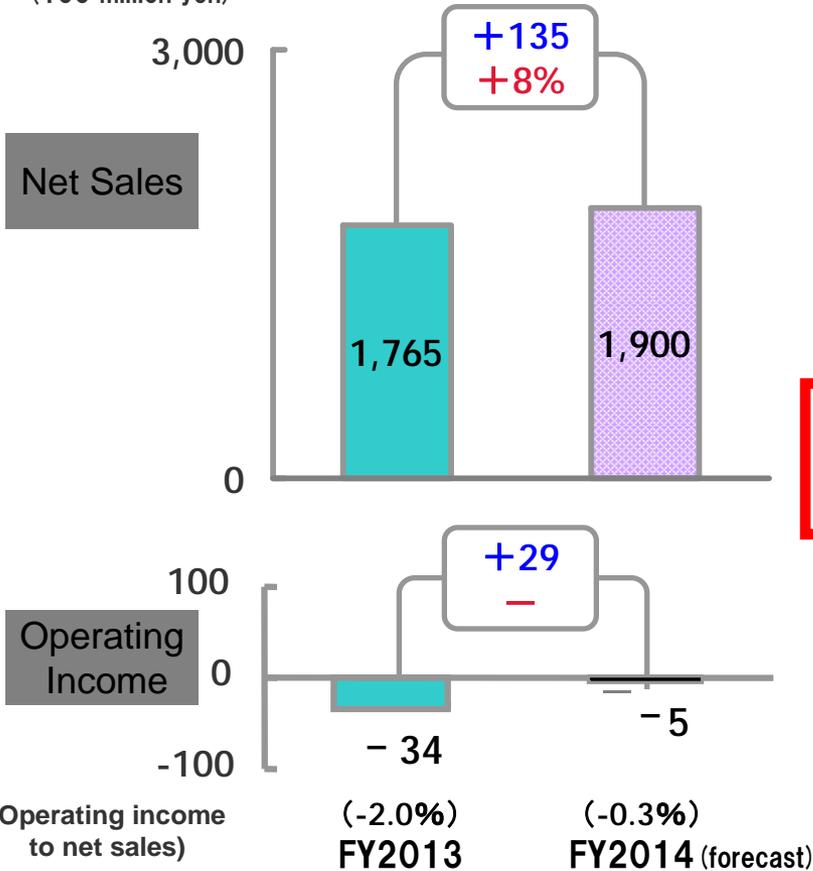


• Even with impacts from reduced production and income, revenues increased due to thorough rationalization

# 1) Estimates for FY2014 Net Sales & Operating Income by Region

## The Americas

(100 million yen)



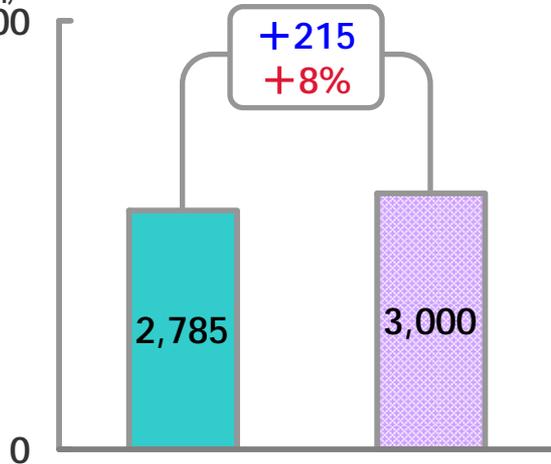
• In the 1st-half model change costs for the Highlander and Corolla were incurred however progress in reforms to profit structures reduced losses

# 1) Estimates for FY2014 Net Sales & Operating Income by Region

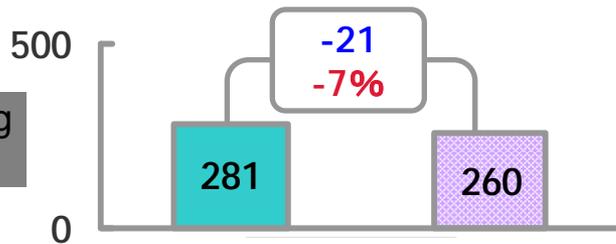
## Asia & Oceania

(100 million yen)  
5,000

Net Sales



Operating Income



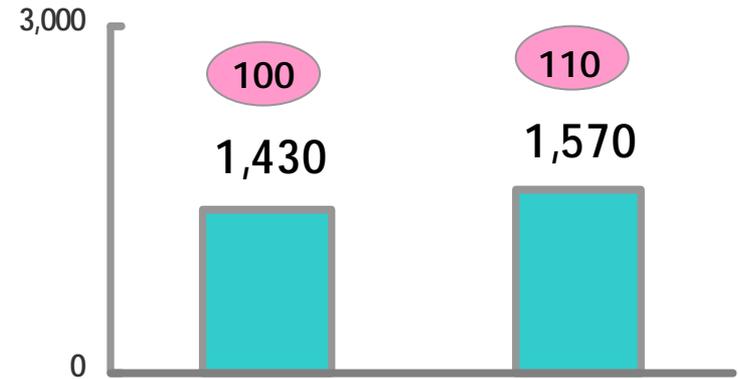
(Operating income to net sales)

FY2013

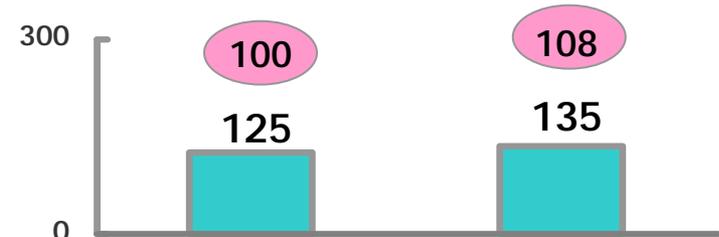
FY2014 (forecast)

Separated by First & Second Half of FY2014

## Net Sales



## Operating Income



First-half

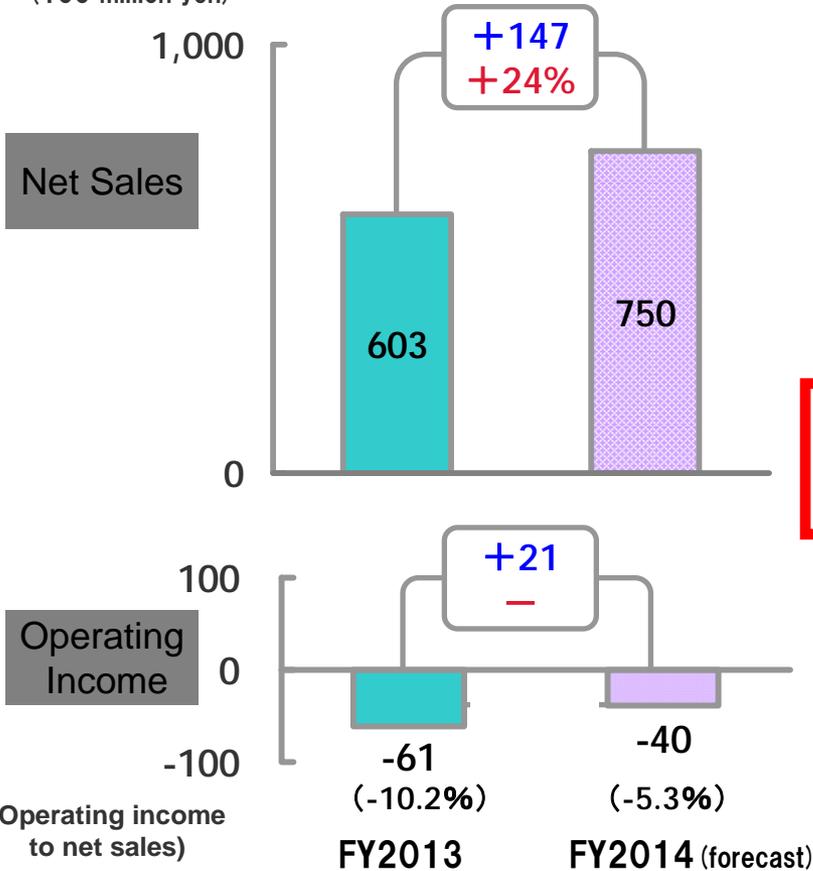
Second-half

•Production saw increases however due to cost increases to establish NCB in China (new company in Shenyang), build an R&D Center and establish a new company in Laos to strengthen our income base for the future revenues decreased.

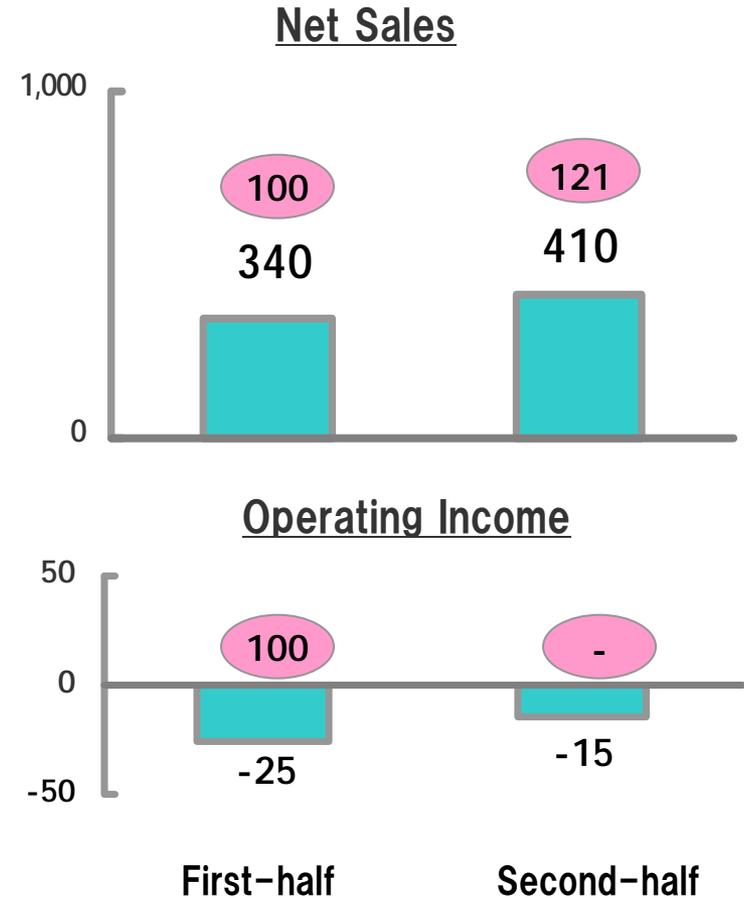
# 1) Estimates for FY2014 Net Sales & Operating Income by Region

## Europe & Africa

(100 million yen)



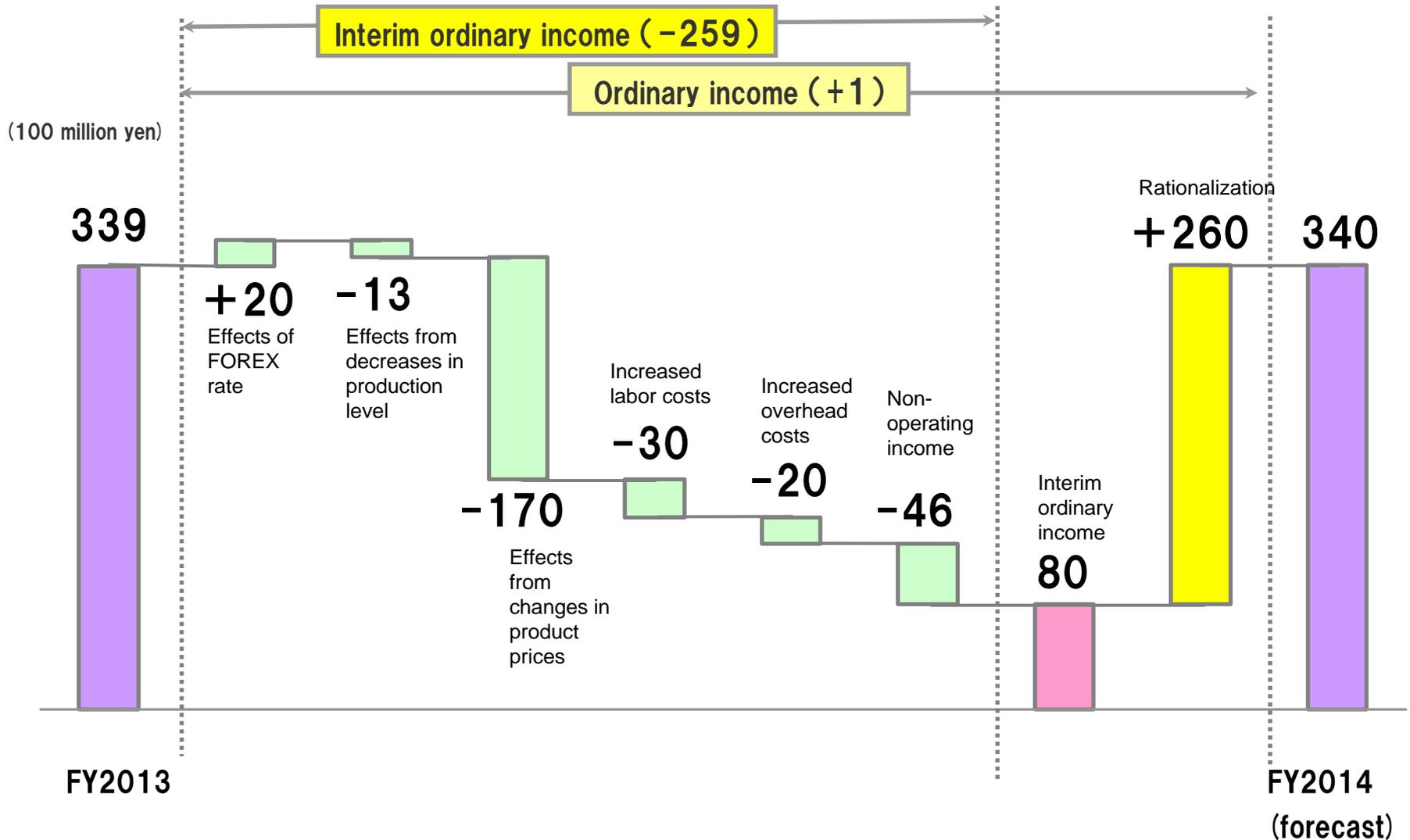
Separated by First & Second Half of FY2014



•Due to results from production increases of Corolla in Turkey, increases in BAE's NCB sales and reforms to profit structure as well as rationalization, losses decreased.

# 1) Estimates for FY2014 Ordinary Income Increase/Decrease Analysis

Rationalization led to maintaining revenues at the same level as last year otherwise large losses in revenue would have occurred



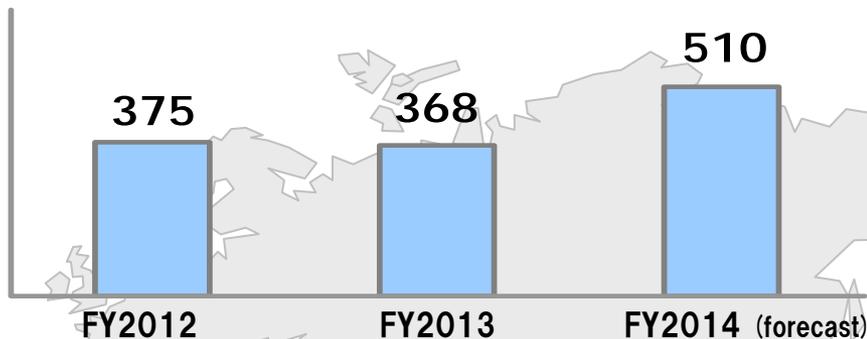
# 1) Estimates for FY2014 Capital Expenditures

Making investments into NCB and new emerging companies to strengthen our future income base

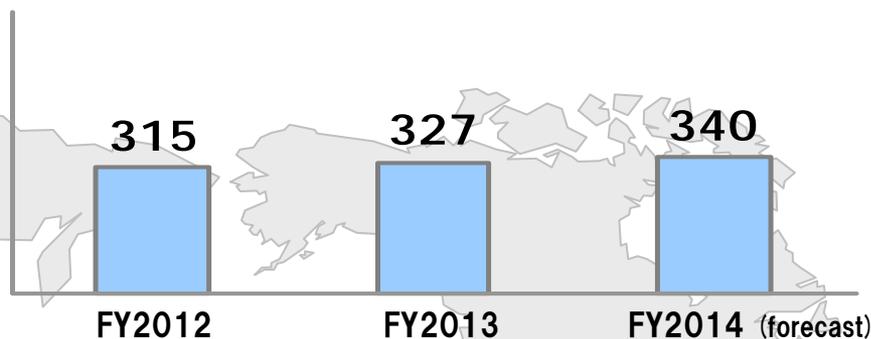
## Total

(100 million yen)

### Capital Expenditures



### Depreciation costs



## By Region

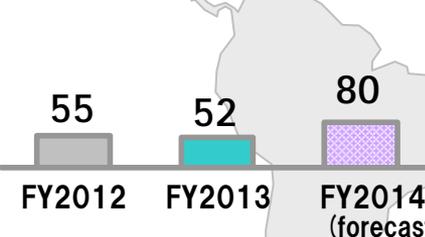
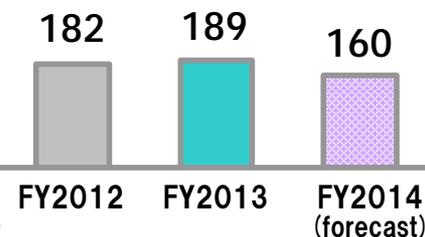
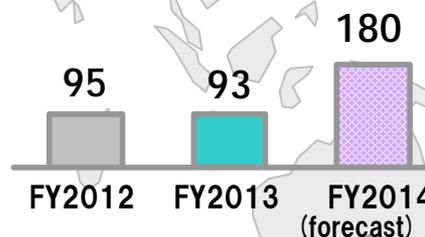
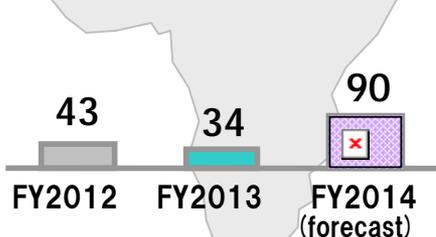
(100 million yen)

### Europe & Africa

### Asia & Oceania

### Japan

### The Americas



Investments to handle NCB, etc.

Build China R&D Center, establish new NCB company, etc.

Build Tajimi Technical Center, R&D investments, etc.

Investments to handle model change, etc.