



**TOYOTA BOSHOKU CORPORATION**

# **FY2018 2nd Quarter Financial Results**

**ended September 30, 2017**

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# Financial Results

Progress with Mid-term Business Plan  
for Implementation 2020

# 1. FY2018 Financial Results

1) Financial Highlights

2) 1<sup>st</sup> Half Financial Results

3) Full Year Financial Forecasts

## 2. Updating The Mid-term Profit Plan

## 1) Financial Highlights

1. Operating income was lower due to higher labor & overhead costs in spite of higher sales due to volume increase in China & Europe.
2. Total annual sales & operating income will be lower due to model & product mix change & higher overhead costs in spite of steady production volume.

# 1. FY2018 Financial Results

1) Financial Highlights

2) 1<sup>st</sup> Half Financial Results

3) Full Year Financial Forecasts

## 2. Updating Mid-term Business Implementation Plan

## 2)-1 FY2018 1<sup>st</sup> Half Financial Results

Consolidated Financial Results: Apr - Sep 2017

(100 million yen)

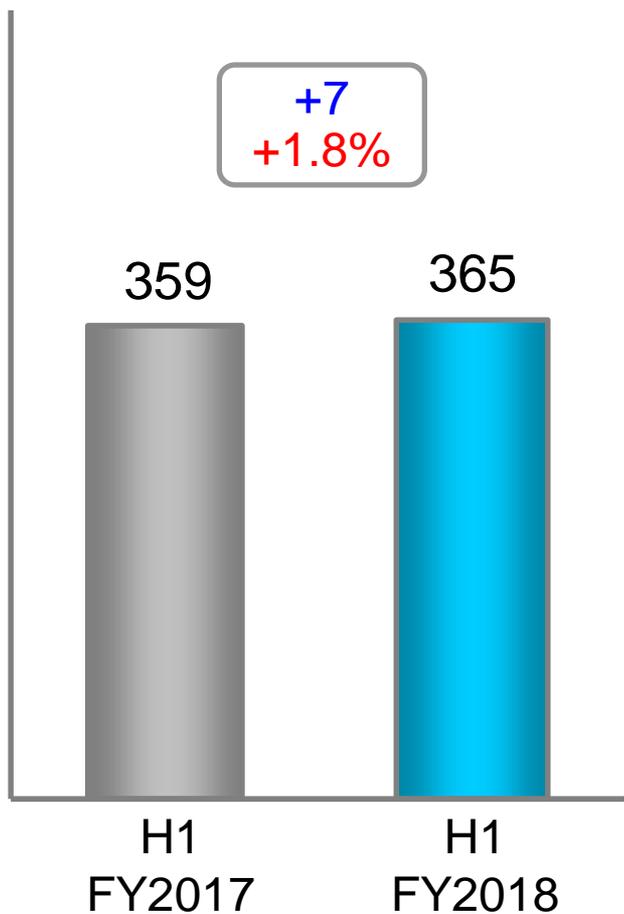
		FY2017 H1		FY2018 H1		YOY Change	
Net Sales		6,674	100%	6,723	100%	48	0.7%
Operating Income		361	5.4%	318	4.7%	-42	-11.8%
Ordinary Income		360	5.4%	331	4.9%	-29	-8.3%
Profit*		132	2.0%	191	2.8%	58	44.1%
Earnings Per Share		71.54 yen		103.03 yen			
Dividend Per Share		21.00 yen		25.00 yen			
Exchange Rate	USD	105 yen		111 yen		6 yen (weak yen)	
	EUR	118 yen		126 yen		8 yen (weak yen)	

\* Profit Attributable to Owners of Parent

## Seat Assembly Production

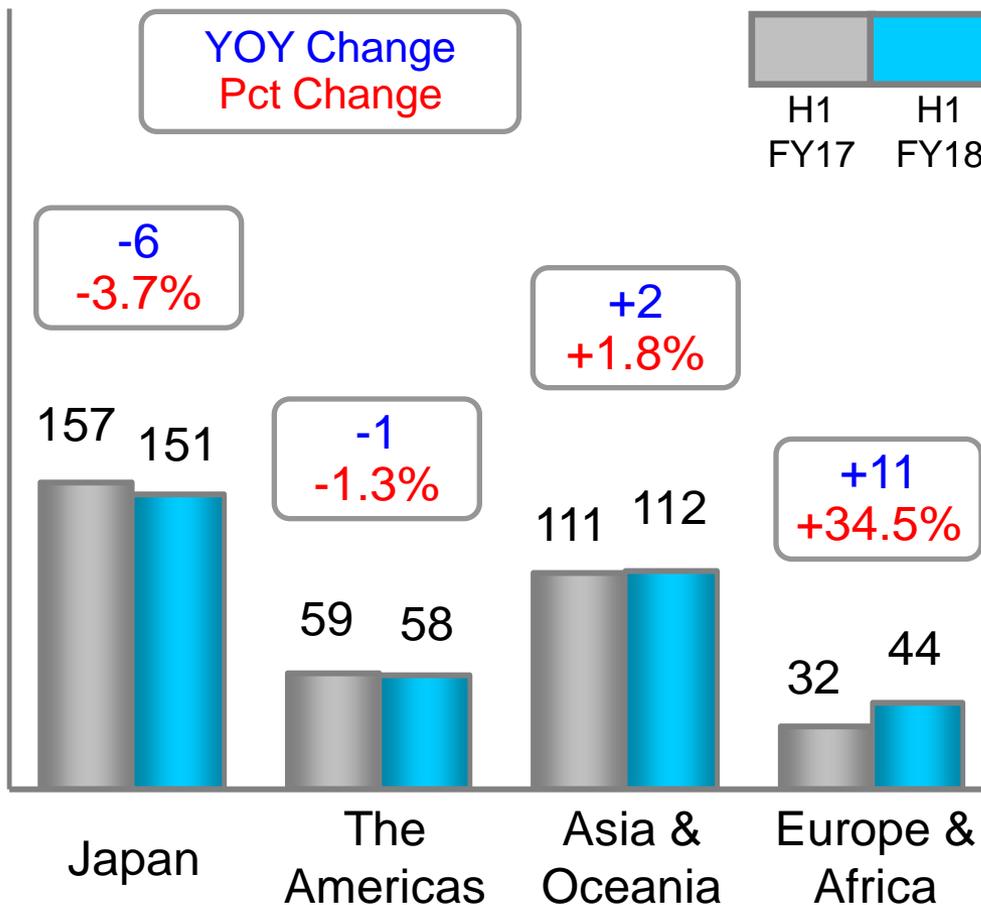
Total

(10,000 Units)



By Region

(10,000 Units)

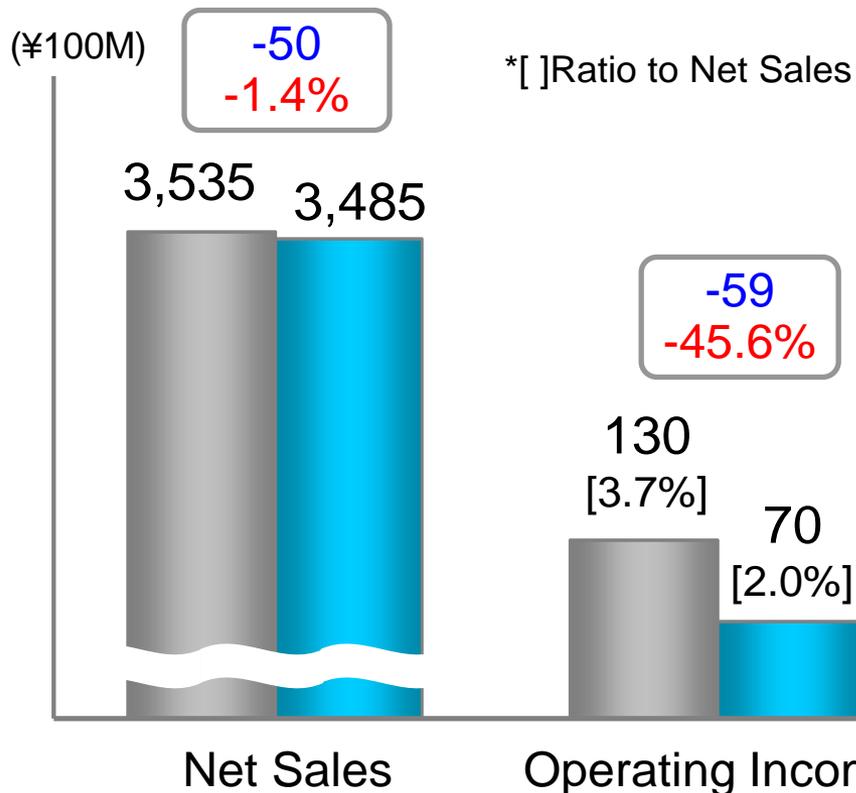


## 2)-3 FY2018 1st Half Financial Results Net Sales & Operating Income by Region

### Japan

**Income Variance** ¥-59(100M)

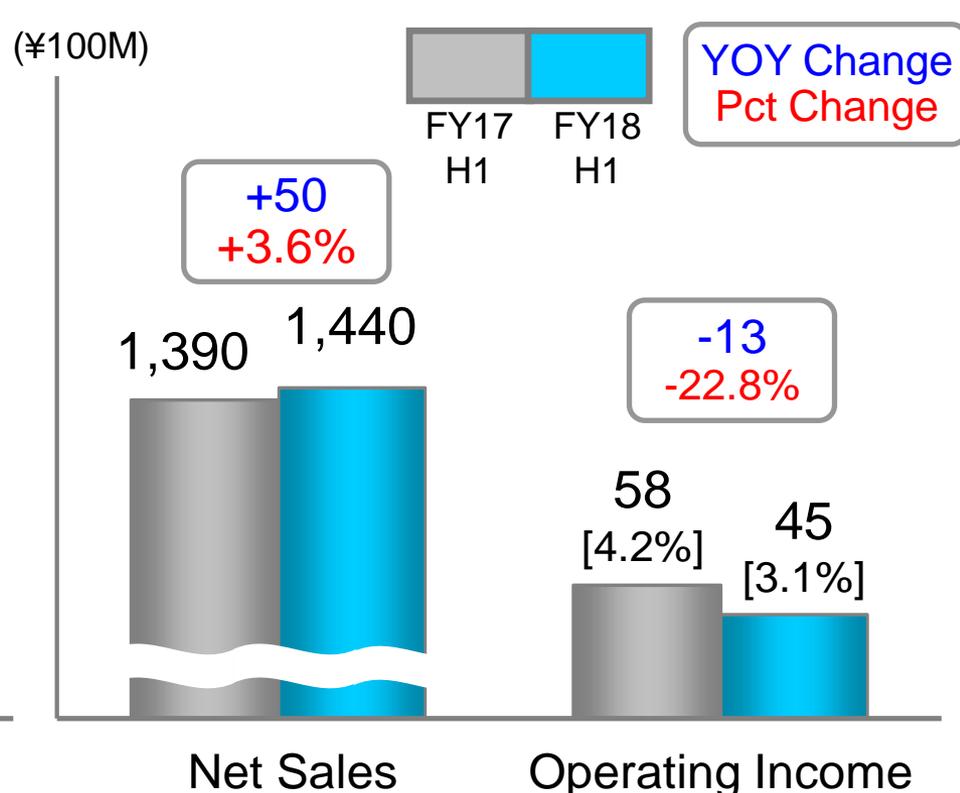
- Lower Seat Production Volume
- Higher Labor & Overhead Costs for R&D & Growth Strategy



### The Americas

**Income Variance** ¥-13(100M)

- Start-up Costs for New Products
- Higher Freight Costs against Hurricane Damage



### Asia & Oceania

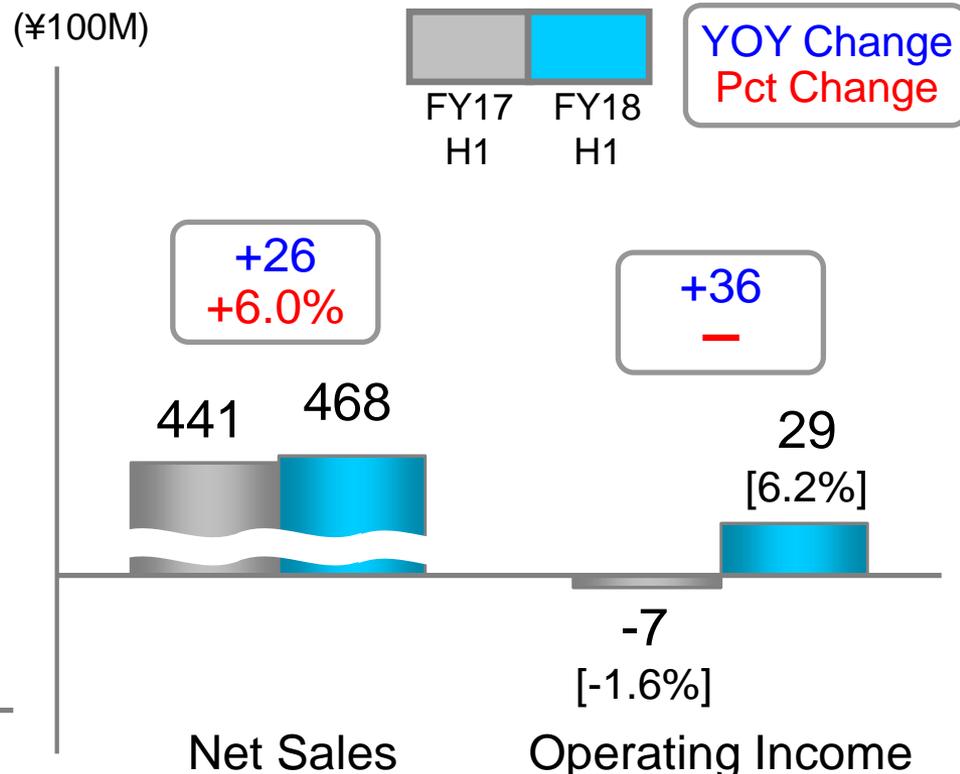
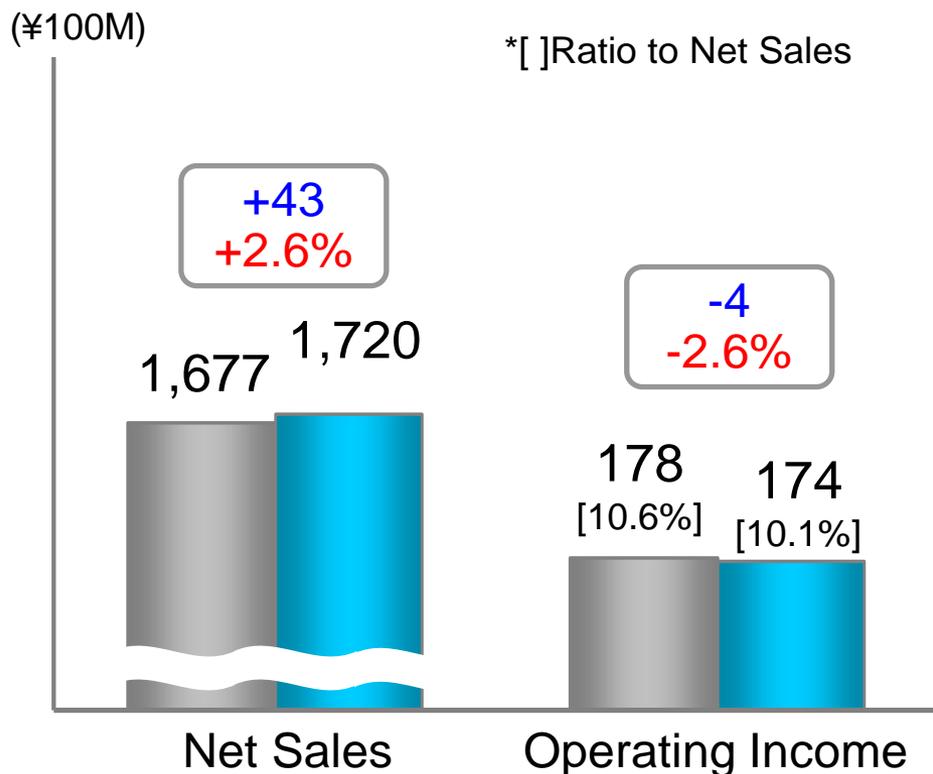
### Europe & Africa

**Income Variance** ¥-4(100M)

- Volume Increase Mainly in China
- Loss of One-time Profit Accrued in The Previous Year

**Income Variance** ¥+36(100M)

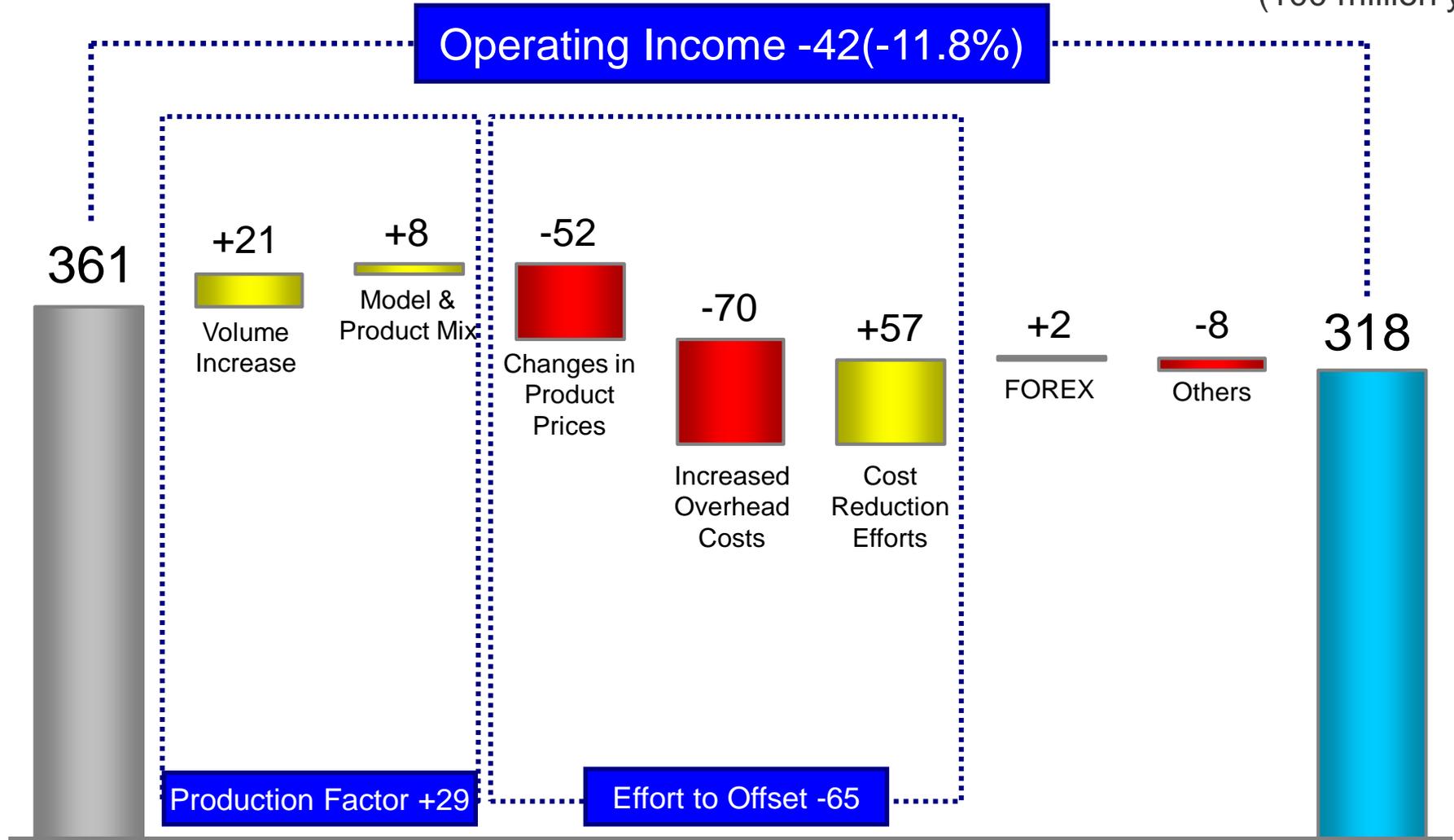
- Unprofitable Business Cut Off
- Volume Increase of New Models Launched in The Previous Year



# 2)-4 FY2018 1<sup>st</sup> Half Financial Results Operating Income Variance Analysis

(100 million yen)

**Operating Income -42(-11.8%)**



FY2017 H1  
(Apr - Sep 2016)

FY2018 H1  
(Apr - Sep 2017)

# 1. FY2018 Financial Results

1) Financial Highlights

2) 1<sup>st</sup> Half Financial Results

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## 2. Updating Mid-term Business Implementation Plan

### 3)-1 FY2018 Financial Forecasts

Consolidated Financial Forecasts: Apr 2017 - Mar 2018

(100 million yen)

	FY2018 (Announced on 4/28)		FY2018 (Latest)		FY2017		YOY Change (17 vs. 18 Revised)	
Net Sales	13,000	100%	13,500	100%	13,579	100%	-79	-0.6%
Operating Income	600	4.6%	630	4.7%	719	5.3%	-89	-12.4%
Ordinary Income	600	4.6%	640	4.7%	772	5.7%	-132	-17.1%
Profit*	380	2.9%	400	3.0%	453	3.3%	-53	-11.8%
Earnings Per Share	204.62 yen		215.39 yen		244.28 yen			
Dividend Per Share	50.00 yen		50.00 yen		50.00 yen			
Exchange Rate	USD	105 yen	111 yen		108 yen		3 yen (weak yen)	
	EUR	115 yen	128 yen		119 yen		9 yen (weak yen)	

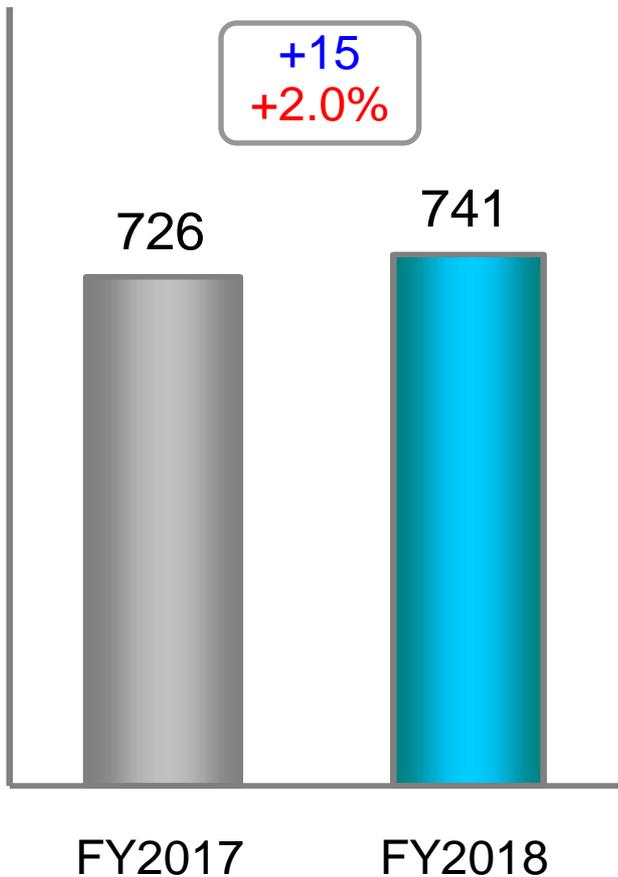
\* Profit Attributable to Owners of Parent

# 3)-2 FY2018 Financial Forecasts Unit Production by Region

## Seat Assembly Production

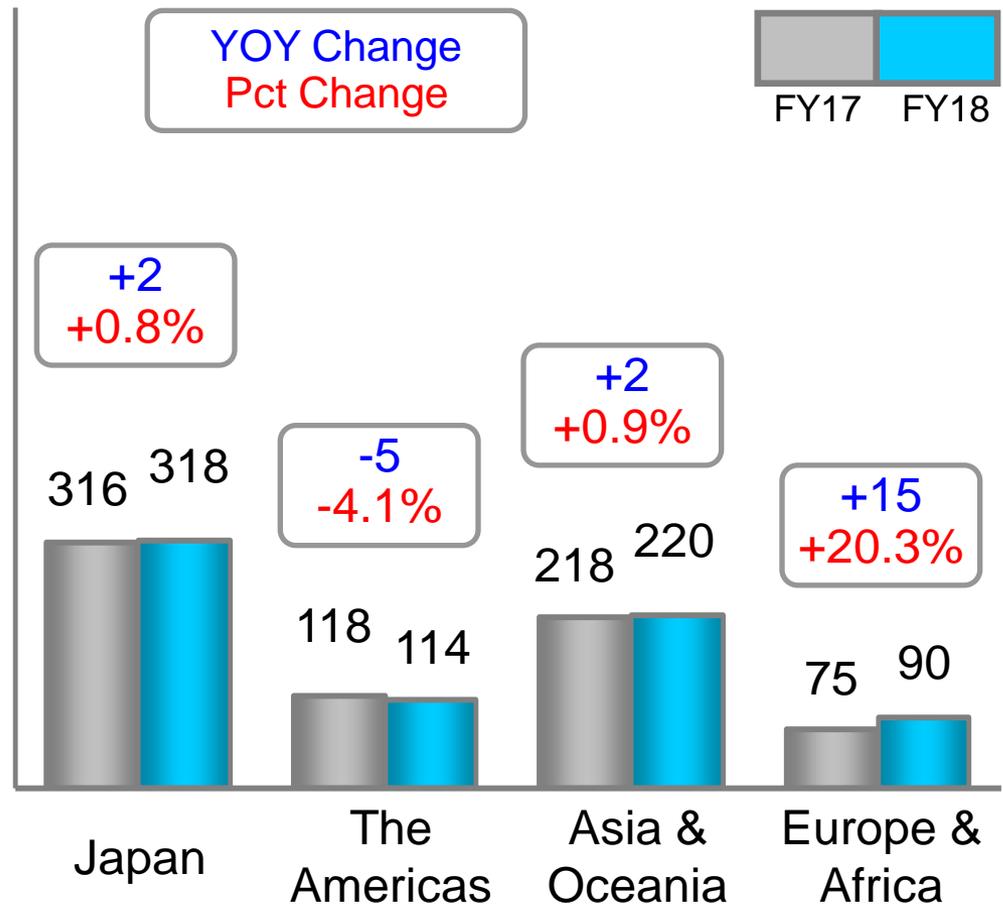
### Total

(10,000 Units)



### By Region

(10,000 Units)



# 3)-3 FY2018 Financial Forecasts Net Sales & Operating Income by Region

## Japan

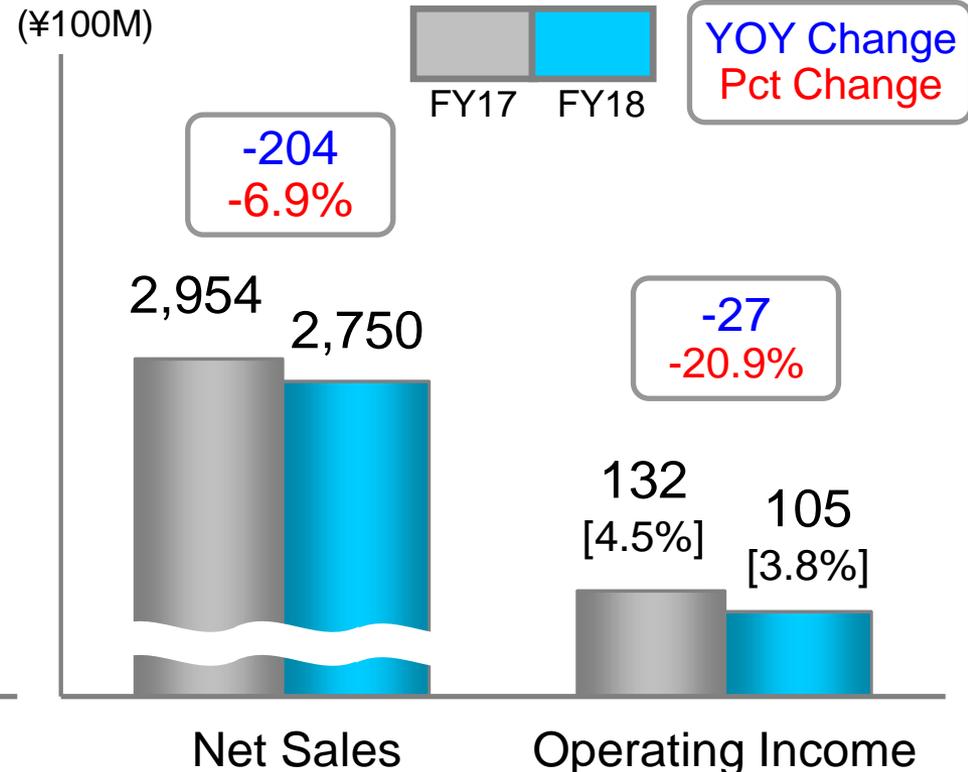
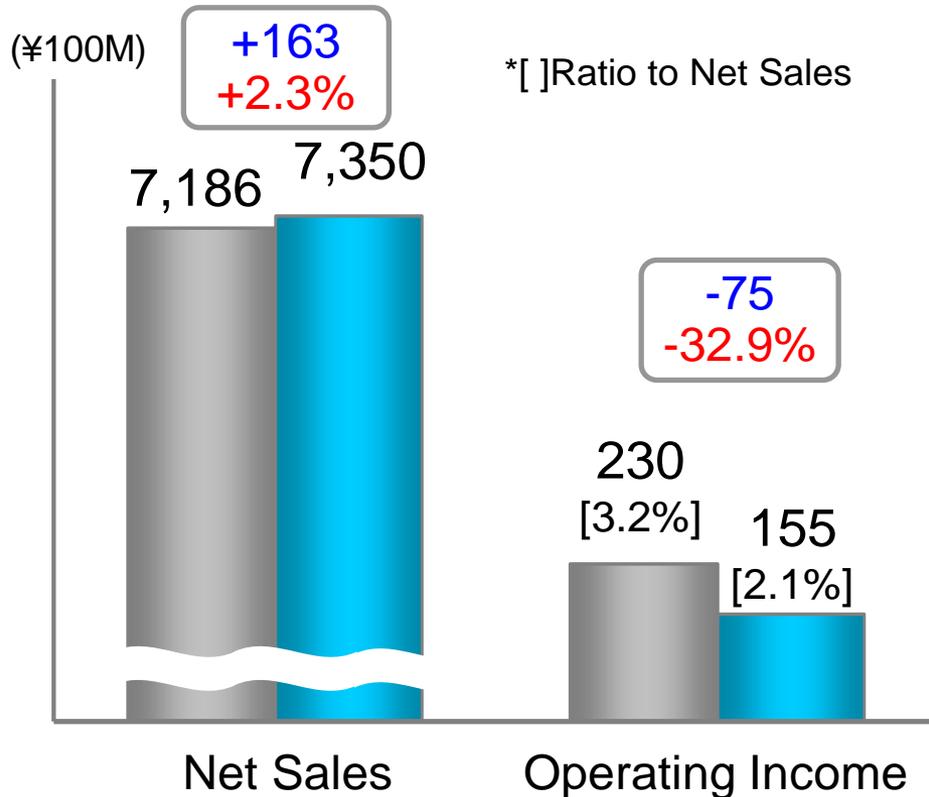
## The Americas

**Income Variance** ¥-75(100M)

- Higher Seat Production Volume
- Higher Labor & Overhead Costs for R&D & Growth Strategy

**Income Variance** ¥-27(100M)

- Model & Product Mix Change
- Start-up Costs for New Products



# 3)-3 FY2018 Financial Forecasts Net Sales & Operating Income by Region

## Asia & Oceania

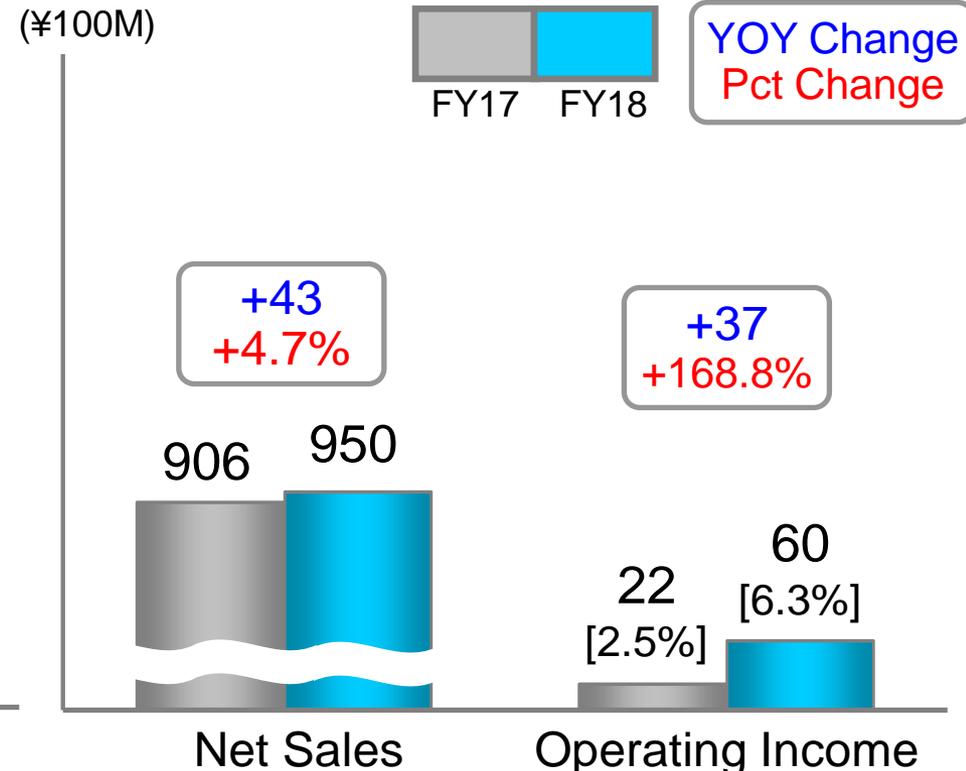
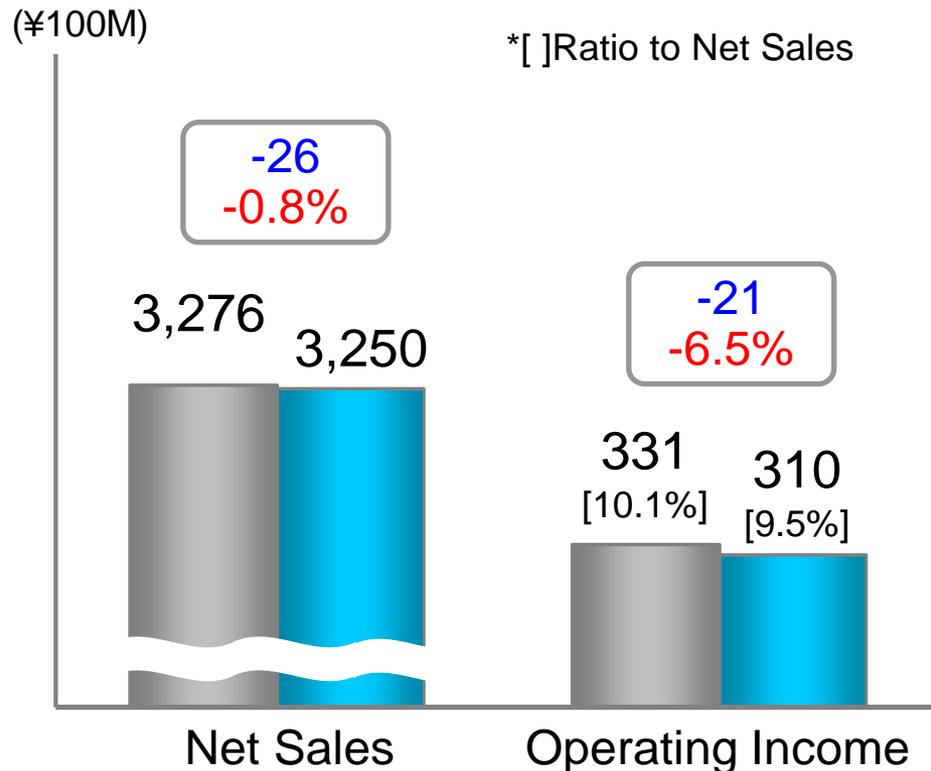
## Europe & Africa

**Income Variance** ¥-21(100M)

- Model Mix Change Mainly in China
- Loss of One-time Profit Accrued in The Previous Year

**Income Variance** ¥+37(100M)

- Unprofitable Business Cut Off
- Volume Increase of New Models Launched in The Previous Year



# 3)-4 FY2018 Financial Forecasts Operating Income Variance Analysis

(100 million yen)

**Operating Income -89(-12.4%)**

719

+33  
Volume Increase

-106  
Model & Product Mix

+13  
New Models (Value Improvement)

-125  
Changes in Product Prices

-72  
Increased Overhead Costs

+155  
Cost Reduction Efforts

+17  
FOREX

-4  
Others

630

One-time Profit -40

**Production Factor -60**

**Effort to Offset -42**

FY2017

FY2018

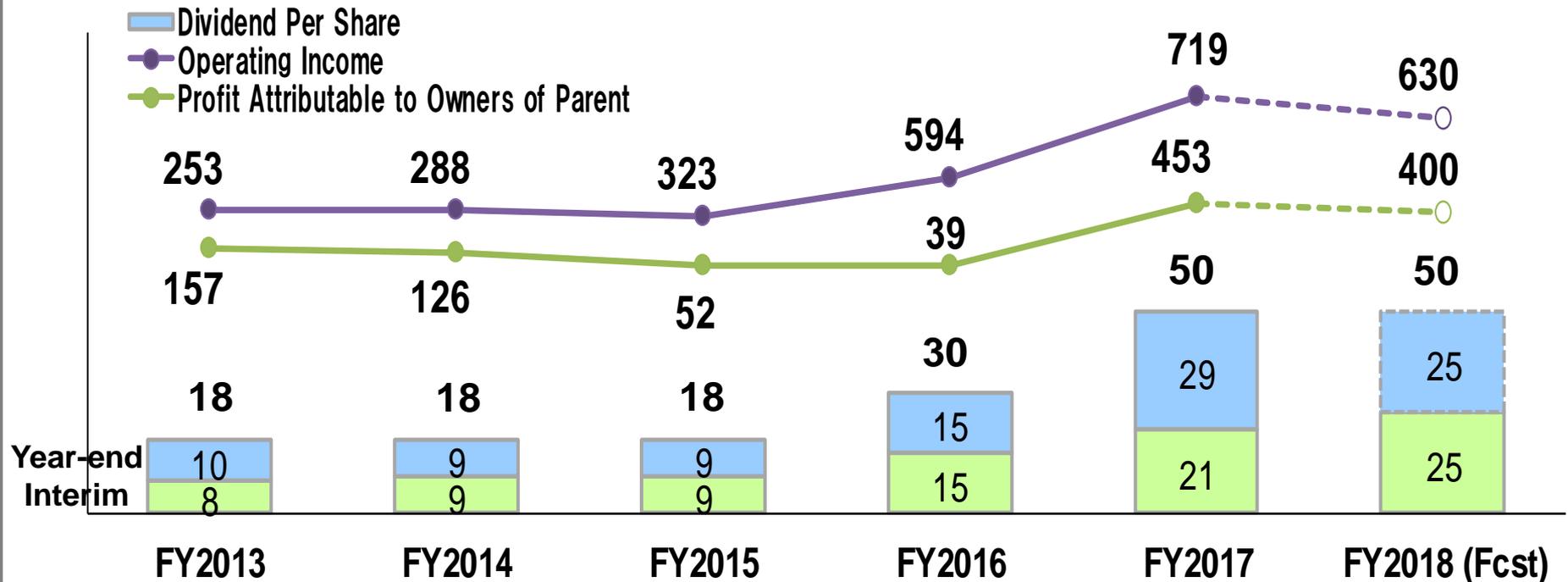
(Apr – Mar 2017)

(Apr – Mar 2018)

### 3)-5 FY2018 Financial Forecasts Returning to Shareholders

- ✓ DPS will be 50 yen in FY2018 as well as in FY2017.
- ✓ We keep long-term sustainable dividends comprehensively taking our consolidated financial results into account.

#### Transition of DPS, Operating Income & Profit



### 3)-6 FY2018 Financial Forecasts by Half Year

#### Net Sales

(100 million yen)

	FY2018 Forecast		
	1 <sup>st</sup> Half (Actual)	2 <sup>nd</sup> Half	Full Year
Japan	3,485	3,865	7,350
The Americas	1,440	1,310	2,750
Asia & Oceania	1,720	1,530	3,250
Europe & Africa	468	482	950
Consolidation	6,723	6,777	13,500

#### Operating Income

(100 million yen)

	FY2018 Forecast					
	1 <sup>st</sup> Half (Actual)		2 <sup>nd</sup> Half		Full Year	
Japan	70	2.0%	85	2.2%	155	2.1%
The Americas	45	3.1%	60	4.6%	105	3.8%
Asia & Oceania	174	10.1%	136	8.9%	310	9.5%
Europe & Africa	29	6.2%	31	6.4%	60	6.3%
Consolidation	318	4.7%	312	4.6%	630	4.7%

# 1. FY2018 Financial Results

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# 2. Updating Mid-term Business Implementation Plan

# 2. Updating Mid-term Business Implementation Plan

- Basic profitability improved from around 30 billion yen to 63 billion yen.
- FY2018 is a trough of new product launch. Promote prior investment & development for growth strategy.
- Profit will be higher by new product launch & business structure reform since FY2019.

## Profit Image

[Number of New Models of Seats]

17      11      12

[Number of New Seat Products]

780K      1,200      980

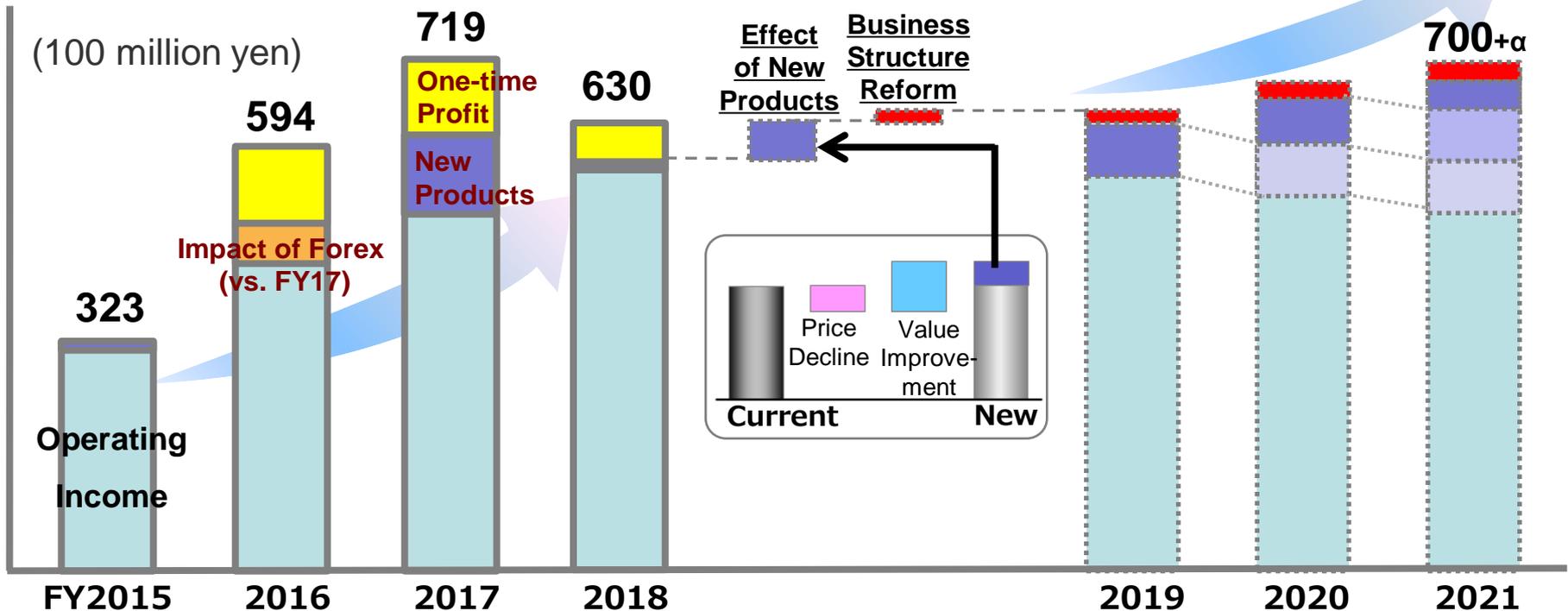
Enhance Offering Value  
Reinforce Business Structure

5

Offer Multi-dimensional Value  
Extend Business Fields

15      16      9+α

780K      1,200      980      120      1,280      1,200      690

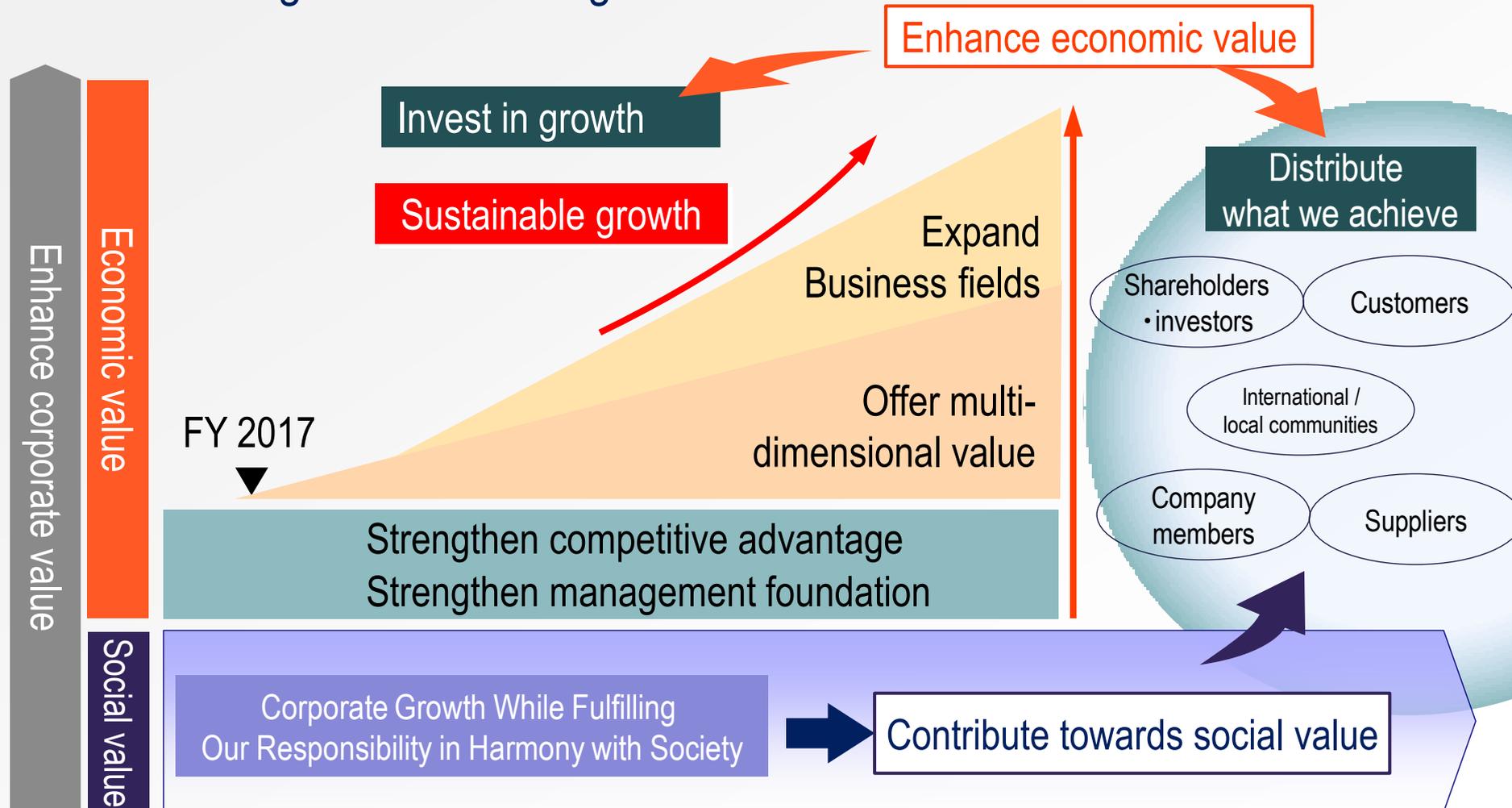


# Financial Results

**Progress with Mid-term Business  
Plan for Implementation 2020**

# Basic idea of Mid-term Business Plan for Implementation 2020

We meet the expectations of our stakeholders on a mid-to-long-term basis through distributing what we achieve by enhancing corporate value, and re-investing in sustainable growth



## Global Week (10<sup>th</sup> to 13<sup>th</sup> July)

### Aims:

- Share current progress and future direction for the Mid-term Business Plan for Implementation globally
- To encourage effectiveness, deeper discussions on the future vision for Toyota Boshoku and what we should do to achieve that vision.



**Around 250 participants, including leaders from our business entities around the world**

### Main program:

- Top Messages

(The concept of the Mid-term Business Plan for Implementation)

- Future Expo (future products/plants)
- Discussion of future working style
- Discussion of strategies for each business group
- Safety, quality, manufacturing experience, etc.

# Progress with Mid-term Business Plan for Implementation 2020

1 Corporate growth while fulfilling  
our responsibility in harmony with society

2 Sustainable growth

① Strengthen competitive advantage

② Strengthen management foundation

3 Enhance our corporate value  
on a mid-to-long-term basis and distribute what we achieve

# Progress with Mid-term Business Plan for Implementation 2020

1 Corporate growth while fulfilling  
our responsibility in harmony with society

2 Sustainable growth

① Strengthen competitive advantage

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on a mid-to-long-term basis and distribute what we achieve

# Progress with Mid-term Business Plan for Implementation 2020

## Strengthen competitive advantage

1) Pursue QUALITY OF TIME AND SPACE

2) Pursue comfort in mobile spaces

3) Expand business fields by combining core technologies

4) Manufacturing innovation

5) Reorganization for more efficient global production

# 1) Pursue QUALITY OF TIME AND SPACE

Our desired status in business

A company that persists in proposing excellent mobility for customers throughout the world



## QUALITY OF TIME AND SPACE

Offer “quality of time and space” in all mobility

Lead the world by taking initiative in proposing “comfort value”

Design

Air

Light & sound

Human research

Safety

Environment

Expand business fields

Offer multi-dimensional value



## 2) Pursue comfort in mobile spaces

Comfort

Safety

Environment

### Example

Offer comfortable time and space in the changing scenes of use by customers

### Intercity-zone concept

Providing comfort that suits each and every customer

#### Personal



#### Relaxation



#### Communication



Personal temperature control system, warning device, multi-material construction, human attribute research

### Community-zone concept

Providing innovations that deliver new experiences

#### While in motion



#### While stationary



Voice recognition HMI, healthy seated posture, sound/light/fragrance harmonization system

## 2) Pursue comfort in mobile spaces

Strengthening “sound” technology – an important factor for creating comfortable mobile spaces

Establishing a joint venture with Autoneum and Nihon Tokushu Toryo Co., Ltd.

FY2018 sees the launch of ATN Auto Acoustics Co., Ltd., which will perform NV\* assessments and analysis

\*Stands for “noise” and “vibration,” and is an indicator of the degree of comfort that a car offers



MIRAI



Next-gen cars (FCVs, EVs)

Total development of car interiors

Superior NV technology



Higher-quality ways of tackling NV

Creation of high-value-added products



Simulations and assessment/analysis of NV performance of actual cars

## 2) Pursue comfort in mobile spaces

- As the interior systems supplier for the new Lexus LS, we have designed every aspect of the inside of the car, creating a space of ultimate relaxation that is befitting of Lexus's flagship sedan



## Front seats: Offering the finest level of support

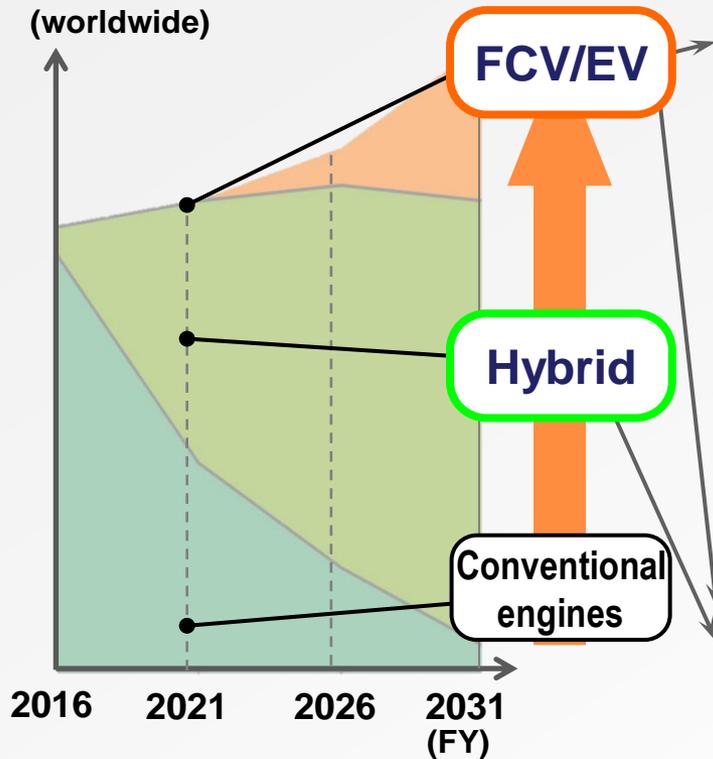


- The support position can be minutely adjusted (28 ways) to optimize it for the user's body type and preferences
- Comfort is assured even during long drives

## 3) Expand business fields by combining core technologies (unit component business)

### Change of power sources

Unit production (worldwide)



Based on projections made by Toyota Boshoku

### Strengthen battery-related products for FCVs/EVs

This block features 3D CAD models of battery-related components, including a blue and green battery pack assembly and a grey battery tray. To the right, a bar chart shows 'Production volume' on the y-axis. The x-axis has two bars: 'Now' (a small blue bar) and 'Future' (a significantly larger pink bar), with an upward-pointing arrow between them indicating growth.

### Expand sales of motor cores for FCVs/EVs

This block features 3D CAD models of two motor cores, one larger and one smaller. To the right, a bar chart shows 'Production volume' on the y-axis. The x-axis has two bars: 'Now' (a small blue bar) and 'Future' (a significantly larger pink bar), with an upward-pointing arrow between them indicating growth.

## 4) Manufacturing innovation

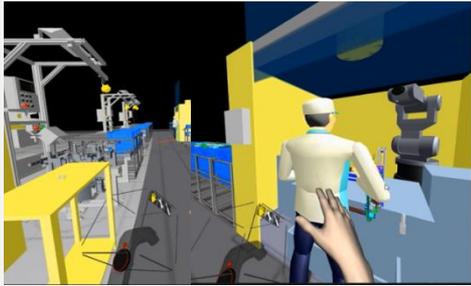
Loyalty

Trust

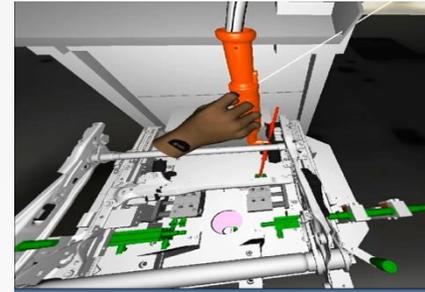
Safety

### Building a next-generation production system

Improve the efficiency of production and manufacturing preparation by employing digital engineering



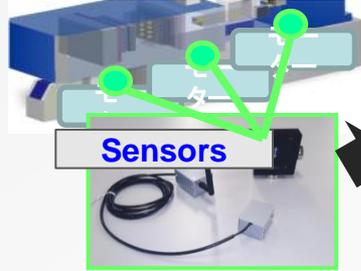
Evaluation of process arrangement and layout



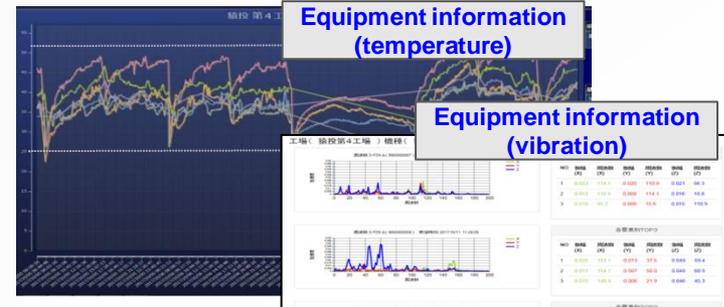
Ergonomic evaluation using VR

### Establish the foundation of a production network (TB Industry 4.0)

Model equipment at Sanage Plant



Gather equipment information and make it visible



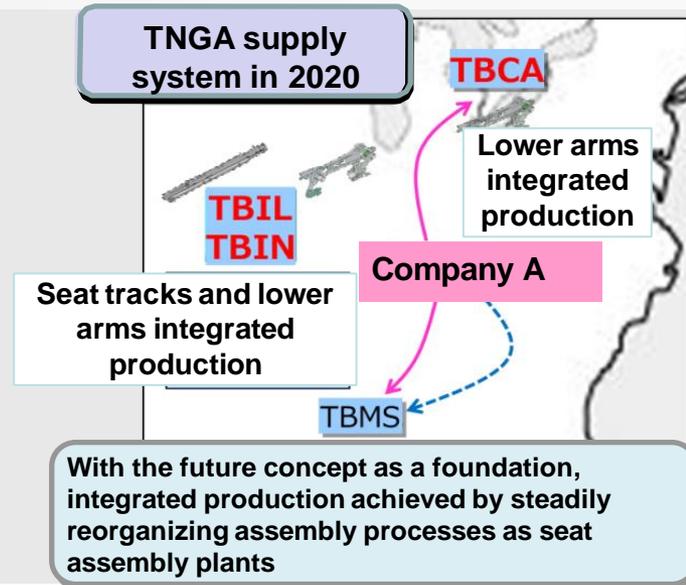
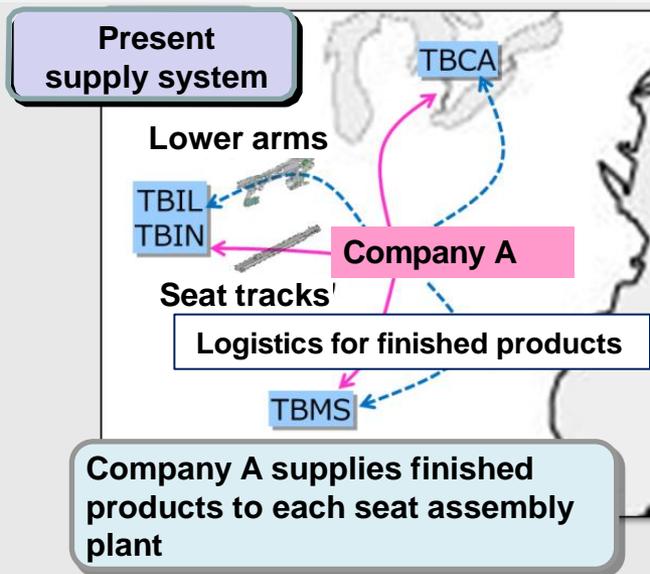
Analyze equipment information (indication management)

## 5) Reorganization for more efficient global production

Maximizing synergies from the integration of the seat frame business

Seamless production from seat track / lower arm assembly to seat assembly

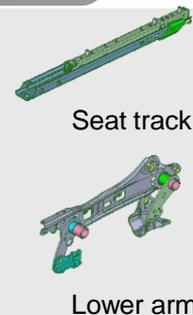
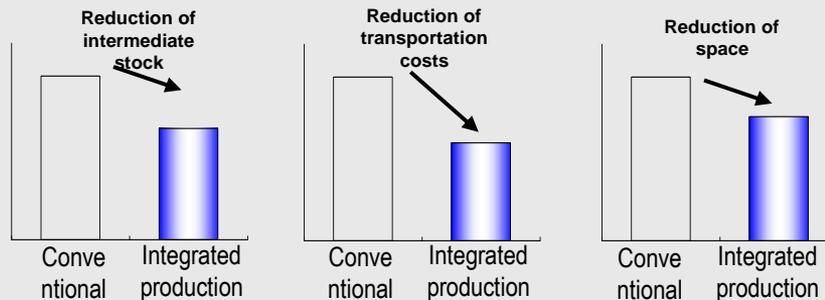
North America



Japan

Toyota Boshoku Sanage Plant (from January 2017)

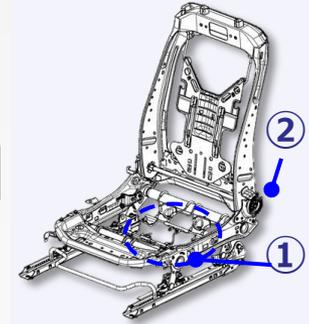
Toyota Boshoku Kyushu (from July 2018)



## 5) Reorganization for more efficient global production

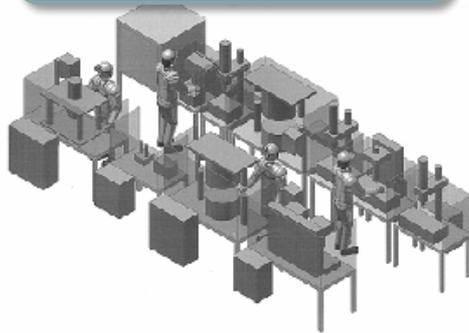
Maximizing synergies from the integration of the seat frame business

Start internal production of functional seat components  
((1) motor with gears (2) power reclining)  
⇒ Launched production in Japan in August 2017



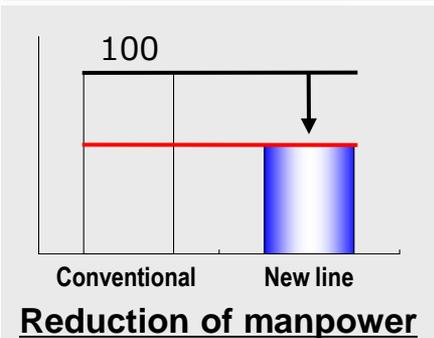
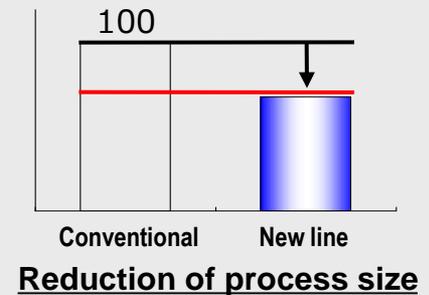
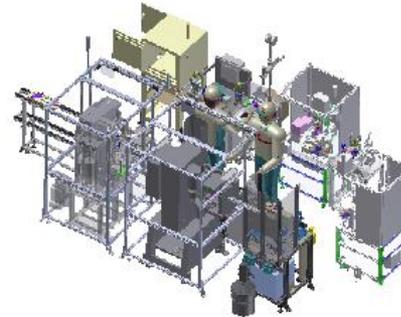
### ■ Approach for motor with gears

Conventional assembly process



- Compact
- Space reducing
- Autonomous operation

New assembly process



Realize a competitive assembly line with minimum investment

### ■ Launch local production in China (September 2018)

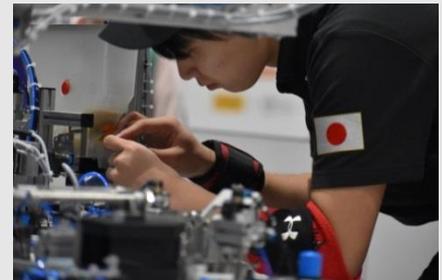
## WorldSkills Abu Dhabi 2017 Won the gold medal in the Mechatronics sector\*

\* Teams comprising two players compete to design, assemble, configure, program, and maintain a device modelled on automated factory production equipment

### Teams from 37 countries took part



- This was our first gold medal in our first appearance in an international tournament
- We also won the “Best of Nation” prize for being the strongest competitor representing Japan



# Progress with Mid-term Business Plan for Implementation 2020

1 Corporate growth while fulfilling  
our responsibility in harmony with society

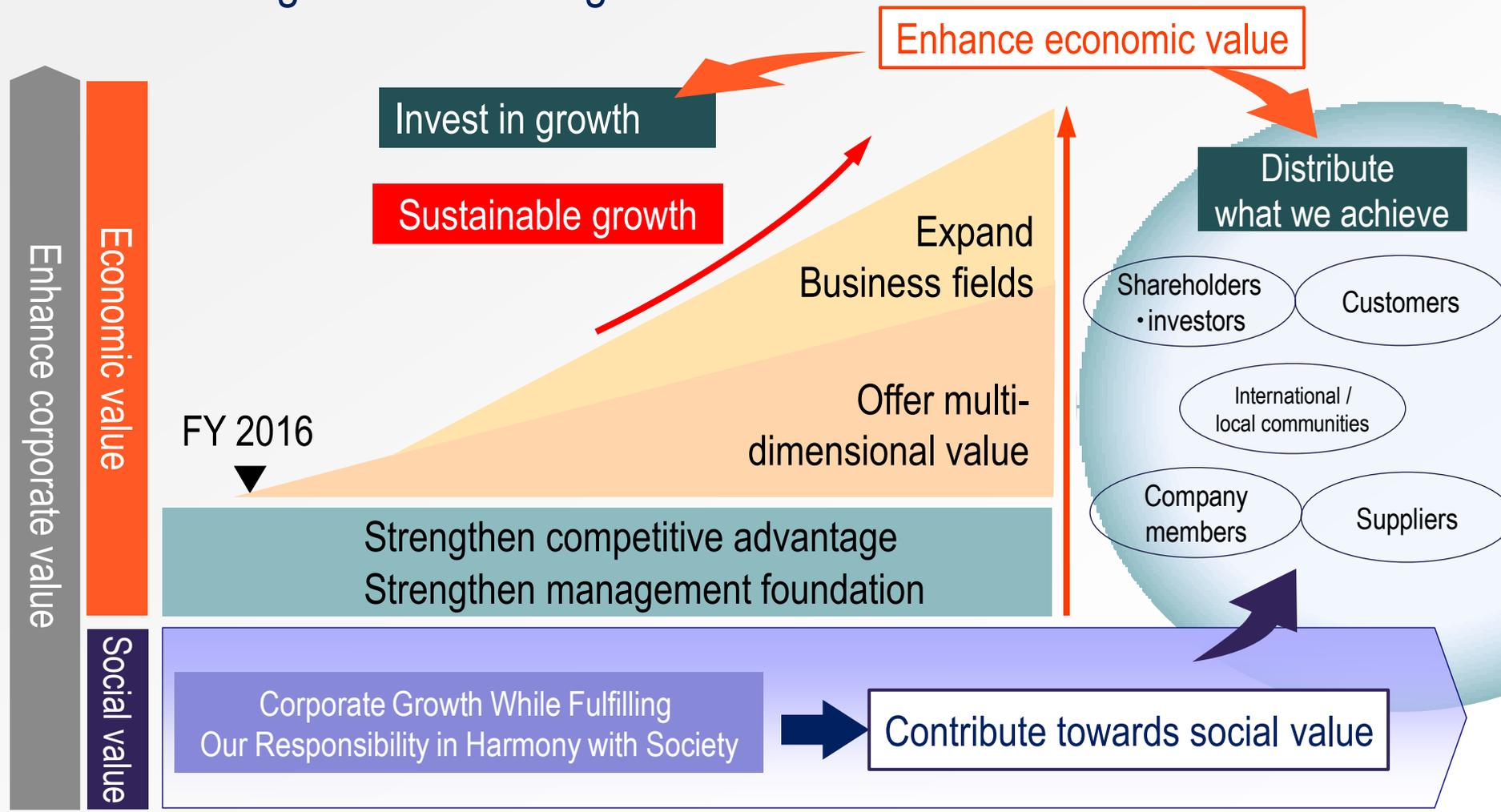
2 Sustainable growth

① Strengthen competitive advantage

② Strengthen management foundation

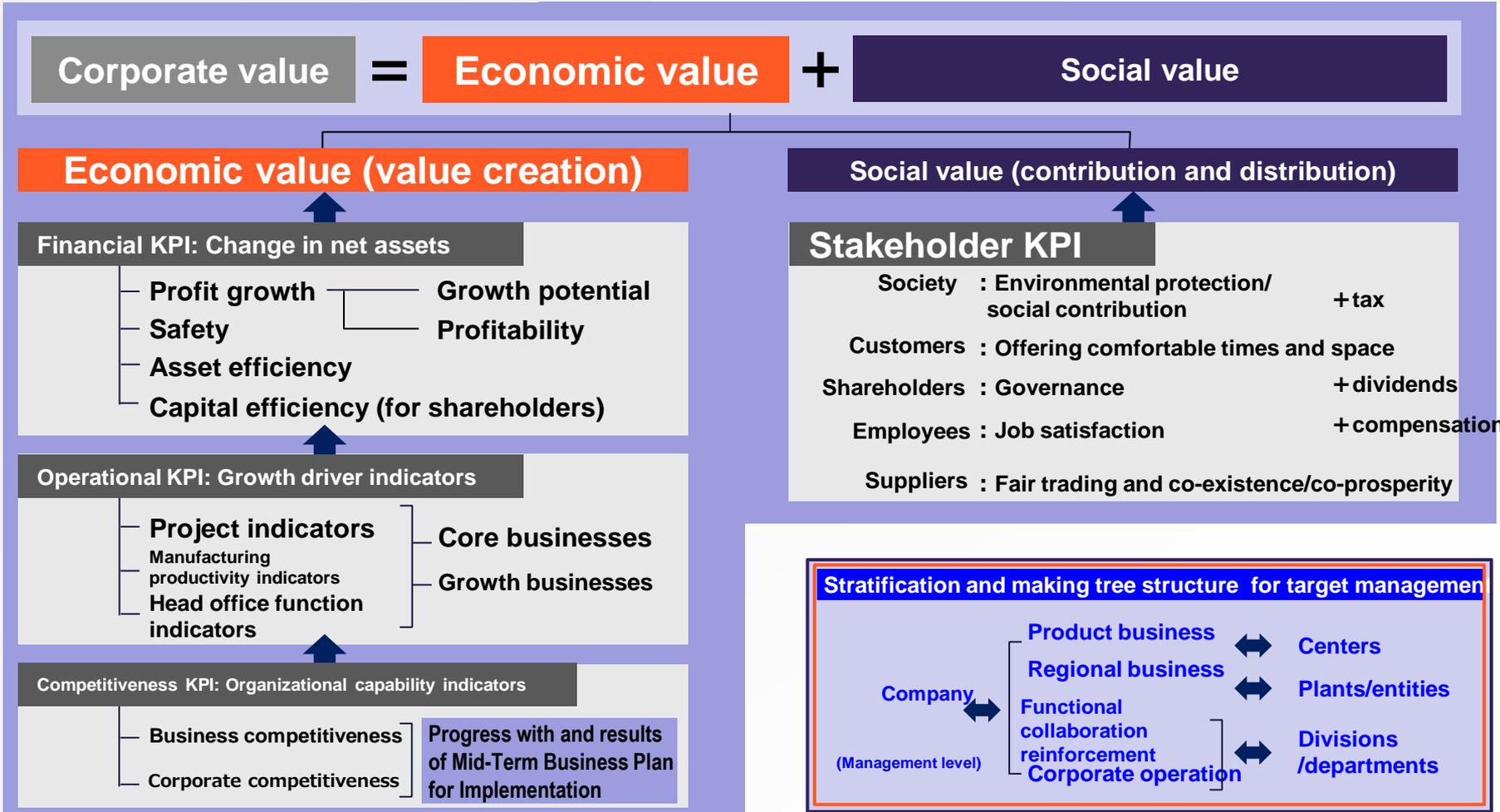
3 Enhance our corporate value  
on a mid-to-long-term basis and distribute what we achieve

We meet the expectations of our stakeholders on a mid-to-long-term basis through distributing what we achieve by enhancing corporate value, and re-investing in sustainable growth



## Building a management structure

Adopt an integrated approach to raising our corporate value that extends from top management to the frontline





### **Disclaimer**

This report contains forecasts and expectations that relate to future plans and strategies in addition to the expected financial results of the Toyota Boshoku Corporation and the Toyota Boshoku group.

Within are estimates based on assumptions and opinions that have been formed by the company from the information available at the time of writing.

They involve risks and uncertainties.

Accordingly, actual results may differ from the company's forecasts.

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