

TOYOTA BOSHOKU REPORT 2018

2017.4.1—2018.3.31





Vice Chairman
Yoshimasa Ishii

President
Takeshi Numa

Chairman
Shuhei Toyoda

A Message from the Chairman, the Vice Chairman and the President

We would like to take this opportunity to express our appreciation to our stakeholders for their loyal support.

The environment surrounding the Toyota Boshoku group is evolving as the automobile industry is presently in the midst of a once-in-a-century transformational period. Technological innovations starting with autonomous driving technologies are advancing rapidly while global competition that also includes the entry of other industries is further intensifying.

Under these conditions, the Toyota Boshoku group will work as one to address various issues toward realizing sustainable growth based on our newly formulated 2020 Management Plan with the aim of achieving our Vision "Looking into the future, we will create tomorrow's automobile interior space that will inspire our customers the world over."

In working toward our objectives, we ask our stakeholders for their further support and encouragement in the future.

September 2018

Chairman

Shuhei Toyoda

Vice Chairman

Yoshimasa Ishii

President

Takeshi Numa

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Cooling and circulating water purification systems "Weets"

Editorial Policy

This report introduces to all stakeholders the Toyota Boshoku group's initiatives for enhancing corporate value from business, governance, social and environmental aspects. Toyota Boshoku has produced this Integrated Report centring on a value creation story that explains how the Company will provide value to society by utilising its unique strengths cultivated to the present based on the philosophy continuously handed down since our founding.

In the preparation of this report, we have referred to the *International Integrated Reporting Framework* (International <IR> Framework) advocated by the International Integrated Reporting Council and have included interviews with outside experts as well as numerous case examples of specific initiatives as part of efforts to create easy-to-understand content for our readers. In the future as well, we intend to reflect the opinions of our readers and stakeholders and further evolve this report as an Integrated Report.

● Scope of reporting

The information in this report applies to the Toyota Boshoku group in Japan and other regions throughout the world. However, the scope of reporting differs for each initiative. Information disclosure in this report is carried out according to the scope of reporting below.

- Toyota Boshoku group: Japan, The Americas, Asia & Oceania, China and Europe & Africa regions
- Toyota Boshoku: Toyota Boshoku Corporation
- Japan region: Toyota Boshoku Corporation and Japan affiliates
- Outside Japan: The Americas, Asia & Oceania, China and Europe & Africa regions

The scope for some items is stated on respective pages.

● Period covered by report

This report contains performance data for fiscal 2018 (from April 1, 2017 to March 31, 2018). Some information on previous or later activities is also included.

● Reference Guidelines

- IIRC *International Integrated Reporting Framework* (International <IR> Framework)
- Ministry of Economy, Trade and Industry's *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation*
- GRI Sustainability Reporting Standards (GRI Standards)
- ISO 26000
- *Environmental Reporting Guidelines* (Fiscal Year 2012 Version)
- *Environmental Accounting Guidelines 2005*

■ Cautionary statement with respect to forward-looking statements

This report contains forecasts and expectations that relate to future plans and strategies in addition to the expected financial results of Toyota Boshoku Corporation and the Toyota Boshoku group. These statements are not based on actual results from the past. Rather, they are estimates based on assumptions and opinions that have been formed by the Company from the information available at the time of writing. They also involve risks and uncertainties relating to economic trends, the severe competition affecting the automobile industry and changes in global demand, taxation regulations, laws, systems, natural disasters and other matters. Accordingly, actual results may differ from the Company's forecasts.

■ Numerical values of financial results

Numerical values on financial results have been rounded off in this report.

The **Web** mark indicates that more detailed information can be found on our website.

Our three business domains provide the ultimate mobility life for customers around the world.

In the three domains of seat, interior & exterior and unit components, the Toyota Boshoku group has delivered a variety of products that realise enriched and higher-quality time and space to people in mobility interior spaces in order to generate excellent quality and new value.

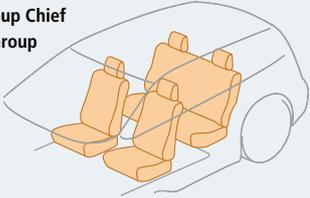


Seat Business

The Toyota Boshoku group develops seats that elicit the maximum potential of each car, seats that make the vehicle easier to drive and that ensure the ultimate in comfort and pleasure. We aim to develop seats that provide comfort and safety for everyone in mobility in any setting around the world.

Message from the Group Chief of the Seat Business Group

▶P31•32



Automobile Seats



Sports seats (For automobile racing)

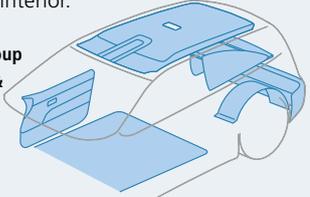


Interior & Exterior Business

The Toyota Boshoku group strives to deliver automobile interior spaces in which people from every country and region of the world can create unforgettable moments with family, friends and other loved ones that will last a lifetime. Staying one step ahead of the times, we develop interiors that enrich users' mobility life and ensure uncompromising comfort through total coordination of the automobile interior.

Message from the Group Chief of the Interior & Exterior Business Group

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Interior Components



Interior system

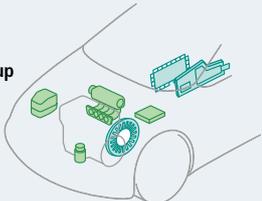


Unit Components Business

In order to develop cars that ensure smooth and stable driving under any tough conditions, the Toyota Boshoku group manufactures products that maximise engine performance while contributing to realising a clean and comfortable vehicle interior space by developing next-generation filtration technology.

Message from the Group Chief of the Unit Components Business Group

▶P35•36



Filters



Air filters

Oil filters



Cabin air filters



- Seat
- Interior & Exterior
- Unit Components



Seat frames

Others

Non-automobile Seats



Railway seats (Photo provided by East Japan Railway Company)

Aircraft seats



Textile Components



Seat fabrics



Curtain-shield airbags

Seatbelt webbings

Exterior Components



Headliners



Door trims



Bumpers



Illuminations



Package trays



Fender liners

Air Induction Systems Products



Air induction systems



Air cleaners



Cylinder head covers



Intake manifolds
(For horizontally opposed engine)



Oil mist separators

Fuel Cell-related Products



Stack manifolds



Separators

Electric Powertrain-related Products



Motor core constituent parts
(For hybrid system)

[Profile]

Toyota Boshoku group undertakes its business at development and manufacturing bases in the various countries and regions throughout the world.

More than 50,000 motivated Toyota Boshoku group members enhance competitiveness, strengthen manufacturing capabilities and contribute to our customers and local communities in the different countries and regions.

Business Overview

Location 1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
 Capital 8.4 billion yen
 Founded 1918
 Established 1950

Business development **26** countries and regions
 Number of sites **107** companies
 Net sales **1,399.5** billion yen

(Ended March 31, 2018)

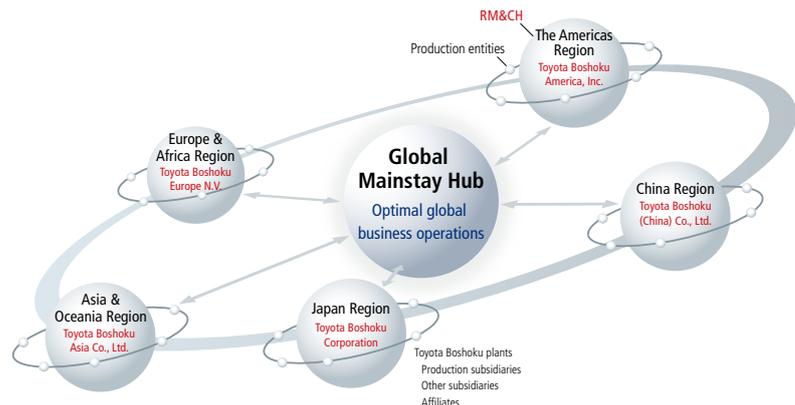
Global Network

● Global Mainstay Hub
 ■ Regional Management & Collaboration Hubs (RM&CH)

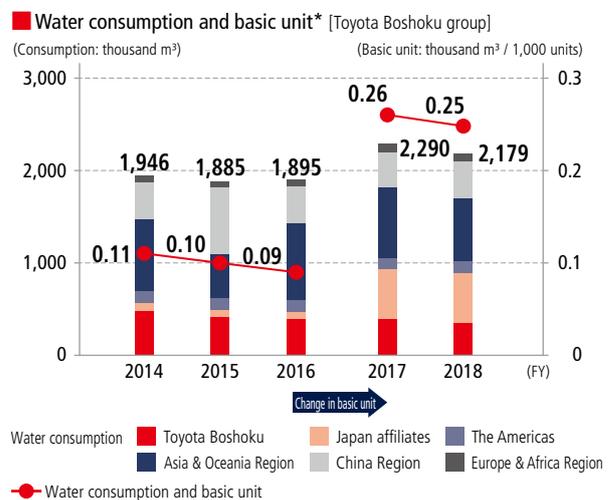
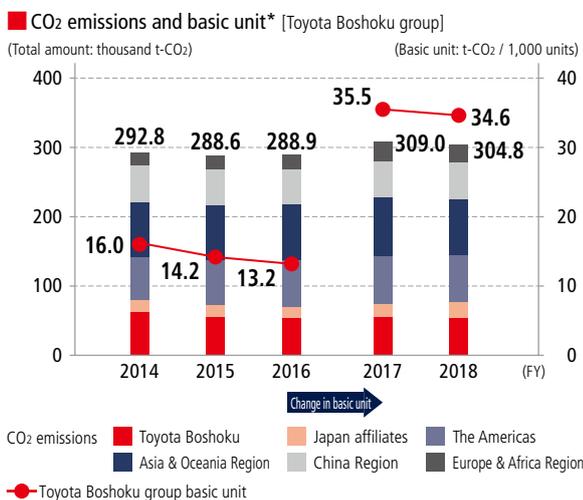
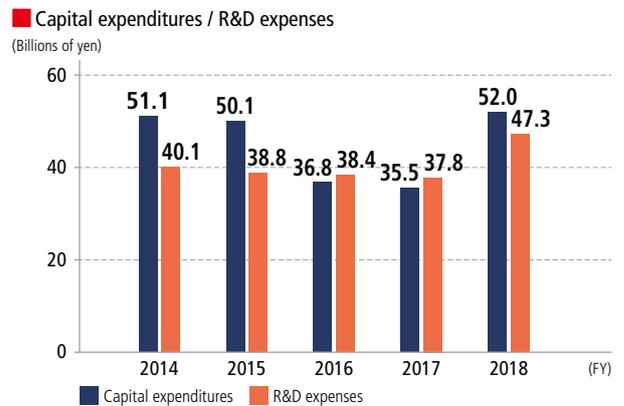
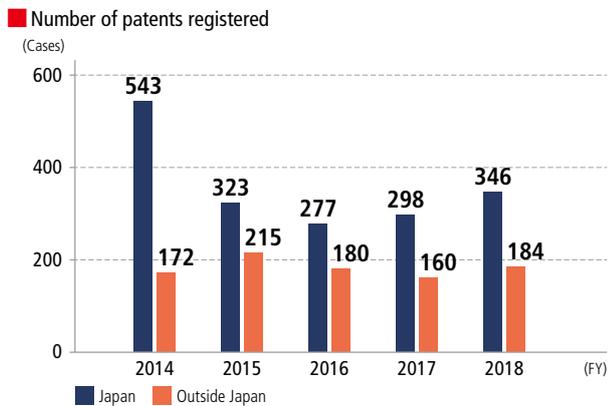
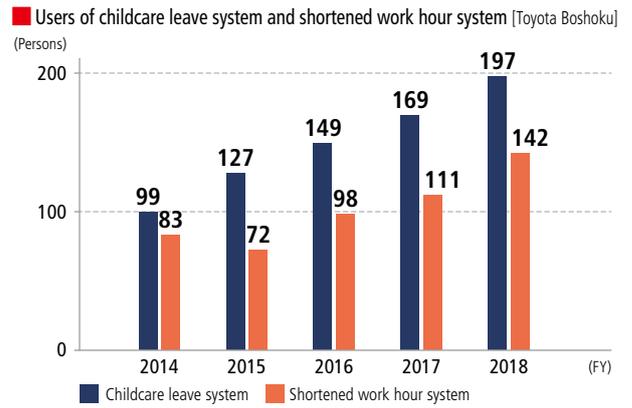
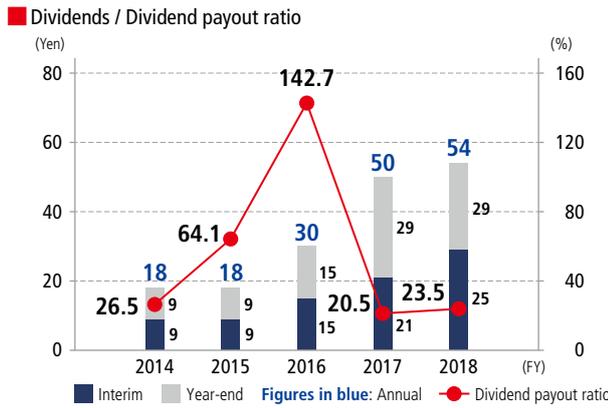
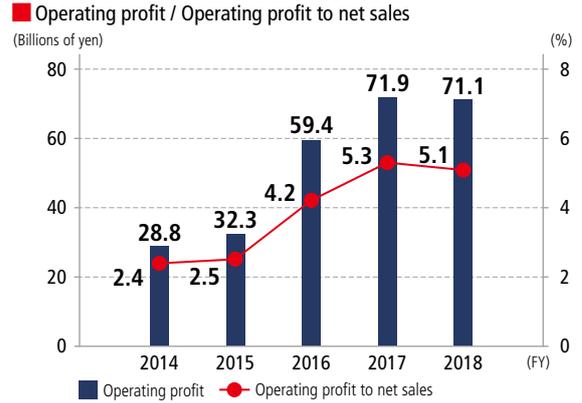
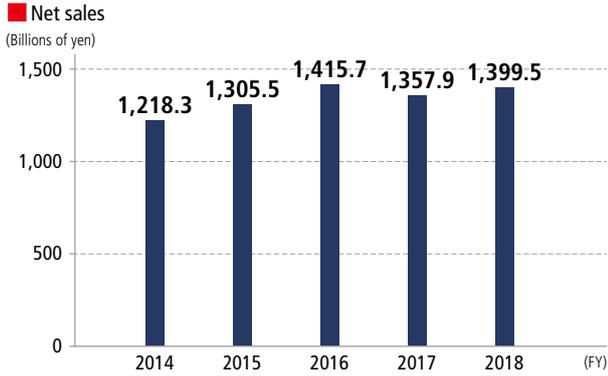


One Hub per Region

Along with close cooperation between the RM&CH and the Global Mainstay Hub, RM&CH work together with production entities in respective regions as part of the "one hub per region" structure.



[Fiscal 2018 Highlights]



* From fiscal 2017, the Toyota Boshoku group shifted to using production volume instead of sales, which are susceptible to external factors, for the basic unit so that improvements are more accurately measured.
● CO₂ emission data has been certified by a third party on the Company's website. Please refer to the Independent Assurance Report on our website.

The Toyota Boshoku Group Value Creation Story

The Toyota Boshoku Group formulated our corporate philosophy based on the Principles of Toyoda and under our vision, which articulates the type of company we aspire to become, we specify that "Looking into the future, we will create tomorrow's automobile interior space that will inspire our customers the world over." We have positioned "HITOZUKURI*1," "MONOZUKURI" and "R&D*2" codified in the Principles of Toyoda as the cornerstone of our business and will offer "QUALITY OF TIME AND SPACE" in all mobility by proposing excellent mobility for customers throughout the world and undertaking manufacturing that enables customers to feel our affection. By doing so, we aim to raise economic value and contribute to social value as a trusted company that grows together with all stakeholders.

*1 Human resources development to realise Principles of Toyoda and Human-centered *Monozukuri* (Manufacturing and Craftsmanship)

*2 Research, technology and development

Elements that support the Toyota Boshoku group's activities

1 Principles of Toyoda



Sakichi Toyoda



Handing down the spirit of Sakichi Toyoda (established in 1935)

Always be faithful to your duties, thereby contributing to the company and to the overall good.

Always be studious and creative, striving to stay ahead of the times.

Always be practical and avoid frivolousness.

Always strive to build a homelike atmosphere at work that is warm and friendly.

Always have respect for spiritual matters, and remember to be grateful at all times.

Background of the Establishment of the Principles of Toyoda

As his founding spirit, Sakichi Toyoda aimed to make contributions for the benefit of the world and people as well as for the advancement of society and the nation.

Sakichi decisively chose to move forward without hesitation as an inventor while marching ahead toward commercialisation to spread the benefits of his inventions throughout society.

To clearly state Sakichi's founding spirit as an everyday attitude, the Principles of Toyoda were established in 1935, five years after Sakichi's death, and these have been successively handed down over generations as Toyota Boshoku's current company creed.

2 Corporate Philosophy

1. **Society** The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen:
 - 1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;
 - 2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment;
 - 3) Create a better society as a member of our local communities.
2. **Customers** The Company will develop innovative technologies and products to deliver quality that satisfies our customers.
3. **Shareholders** The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.
4. **Employees** The Company will build and maintain positive labour-management relations, respect the individuality of its employees and create safe and comfortable workplaces.
5. **Business partners** The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.

3 Code of Conduct

As members of the Toyota Boshoku Group, we declare that we will observe rules and carry out sensible actions in accordance with this code of conduct.

1. Business activities

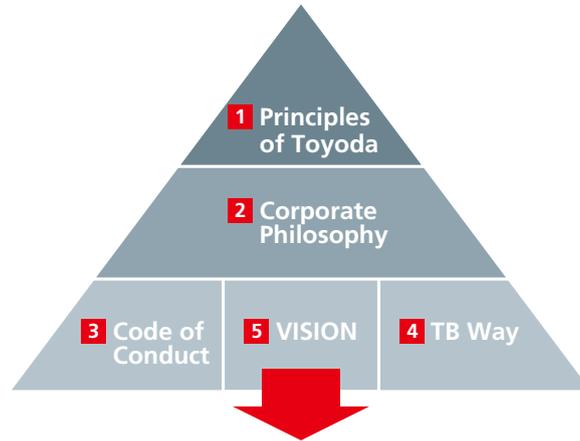
- (1) Dealings with customers (2) Dealings with suppliers (3) Dealings with political parties and public agencies
- (4) How to respond to anti-social forces (5) Ensuring safety and quality (6) Consideration of the environment (7) Global business activities
- (8) Protection of company assets (9) Respect for intellectual property rights (10) Handling of confidential information

2. Relations between employees and the company

- (1) Global human resources development (2) How to build a meaningful workplace (3) Prohibition of illegal and antisocial acts

3. As members of society

- (1) A healthy social lifestyle (2) Contribution to society (3) Corporate information and publicity (4) Insider trading (5) Traffic safety



Toward our desired status for 2030

4 TB Way

We contribute to society by developing leading-edge technologies and manufacturing high-quality products.

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. We meet challenges with courage and creativity, to realise our dreams. 2. We carry out <i>kaizen</i> continuously, aiming to achieve higher goals. 3. We practice <i>genchi-genbutsu</i> by going to the source to analyse problems and find their root causes. 4. Once a decision is made, we move quickly to carry out the plan, with passion and a sense of mission. | <ol style="list-style-type: none"> 5. We seek to do our best, act professionally and take responsibility for our actions. 6. We respect the values of other cultures and accept differences, with an open mind and a global perspective. 7. As a good corporate citizen, we do what is right and contribute to society. 8. We respect the individual and use teamwork to produce the best result. |
|---|---|

5

VISION

**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

Our desired status in Business _____
Aiming to achieve "a company that persists in proposing excellent mobility for customers throughout the world"

Our desired status in Society _____
Aiming to secure "a trusted company that grows together with all stakeholders"

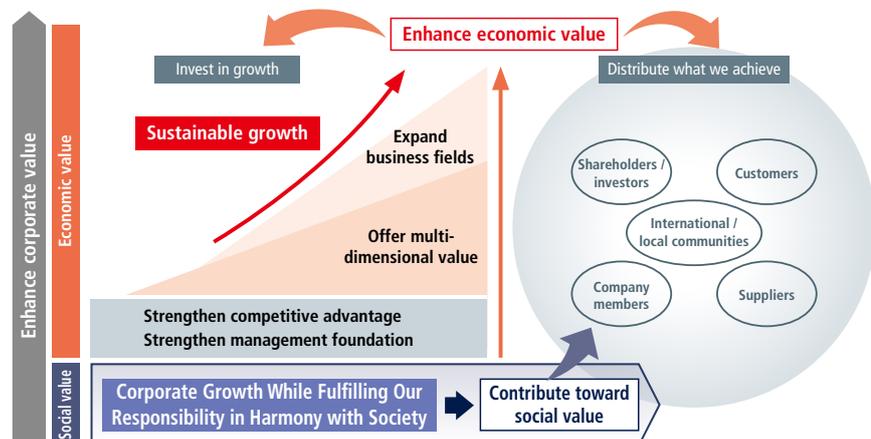


Define our desired status more specifically

QUALITY OF TIME AND SPACE

Offer "QUALITY OF TIME AND SPACE" in all mobility

We distribute to our stakeholders what we achieve by enhancing economic value and enhancing corporate value on a mid-to-long-term basis by re-investing toward growth.



100 Years of Evolution in the Toyota Boshoku Group

Our founding spirit to change with the times and contribute to society has been passed down over the generations and we are committed to carrying it on for the next 100 years.

Early beginnings

Toyota Boshoku was founded by Sakichi Toyoda who believed in the importance of self-sufficiency in high-quality yarn to develop the automatic loom.

Shifted to automotive components business

A major change was made in business content to break away from the downturn in the textile market. Production of automotive components then became the Company's core business.

Evolution into a global

With the aim of becoming a true deepen unique technology and



Important events

●1918

Toyoda Boshoku Corporation was founded by Sakichi Toyoda



Toyoda Boshoku Head Plant



Founder: Sakichi Toyoda



Head Plant in Taisho period

●1921

Entered China
Established
Toyoda Boshoku
Shou



Shanghai Plant of Toyoda Boshoku Shou

●1935

Formulated the Principles of Toyoda, which led to the TB Way and Corporate Philosophy

●1943

Merged to Toyota Motor Co., Ltd. (now Toyota Motor Corporation)

●1947

Established Arakawa Sheet Metal Industries Co., Ltd. (later Araco Corporation)

●1950

Established Minsei Spinning Co., Ltd. as a separate entity from Toyota Motor Co., Ltd. and becoming independent

●1960

Established Takashimaya Nipatsu Industries Co., Ltd. (later Takanichi Co., Ltd.)

●1967

Company name changed from Minsei Spinning Co., Ltd. to Toyoda Boshoku Corporation



●1970-

Entered the automotive components field

Leveraged textile technology in automotive components and promoted expansion of non-textile business

- Started development of car seat fabrics (1970)
- Started production of ignition coils (1973), seatbelts (1976) and compressors (1981)



Seat fabrics

●1985

- Started full-scale production of automotive filters



Air filters



Construction of a filter plant

●2000

- Stock listed on Tokyo Stock Exchange, First Section
- Merged with Toyota Kakoh Co., Ltd. with a mainstay business in automotive carpet

●2004

Araco Corporation (car interior components business), Takanichi Co., Ltd. and Toyoda Boshoku Corporation merged to form Toyota Boshoku Corporation



●2005

- Formulated the TB Way
- Introduced the One Hub per Region structure

●2006

- Convened the first All TB Skills Competition



- Started reforestation activities in Indonesia

FY2005 456.3 billion yen

Three companies merged to form Toyota Boshoku Corporation

FY1951 1.9 billion yen

Established Minsei Spinning Co., Ltd.

Sales trend

system supplier

global system supplier, the three companies were merged to establish a global production structure, expand business fields.

Toward the future

Toyota Boshoku is accelerating reform and taking steps with a view to the future amid a once-in-a-century transformational period.

2010

●2008

- Established Toyota Boshoku Somain S.A.S. (France) as our first seat assembly base in the EU region
- Established the Toyota Boshoku Technical Skills Academy with the aim of developing human resources to be the core of a workplace abounding in technical skills
- Established Research Laboratories (now New Value Creation Centre, New Field Pioneering Division)
- Constructed the Global Training Centre to develop and strengthen global human resources



- Developed new-generation automotive seat frames

FY2007 1,082.7 billion yen

Exceeded 1 trillion yen for the first time

●2009

- Started production of cabin air filter material by way of Melt Blown Construction Method



- Established TB Kawashima Co., Ltd. for transportation interior materials business

●2010

- Completed construction of the No.2 building of the Sanage Technical Centre (concentrated development function for interior parts)



●2011

- Started operations at Technical Skills Training Centre
- Established Boshoku Automotive Europe GmbH by acquiring the interior components business from a European component manufacturer

●2013

- Started production of motor core constituent parts using the FHS process*

*Toyota Boshoku's unique high-precision, high-speed stamping technology (Fine Hold Stamping process)



- Received first order for railway seats Utilized in the Gran Class of the Hokuriku Bullet Train (*Shinkansen*)



Railway seats (Photo provided by East Japan Railway Company)

- First application of seats made using the Foam in Place Method



- Developed high impact-resistant plastic together with Toyota Central R&D Labs., Inc.

●2014

- Completed Tajimi Technical Centre proving ground



- Started production of fuel cell-related products (separators)

FY2016 1,415.7 billion yen

Historic high in sales

●2015

- Jointly developed the Company's first aircraft seats with All Nippon Airways Co., Ltd.



- Integrated the seat frame mechanism component businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation into the Company
- Developed new seat frames boasting light weight and high rigidity



●2016

- Changed management structure (product business-based organisation)
- Established Silicon Valley Office of Toyota Boshoku America, Inc.
- Announced Mid-term Business Plan for Implementation 2020
- Announced 2050 Environmental Vision

●2017

- Signed business partnership agreement with Tachi-S Co., Ltd.
- Took part in the 44th WorldSkills Competition for the first time and won a gold medal in the mechatronics category

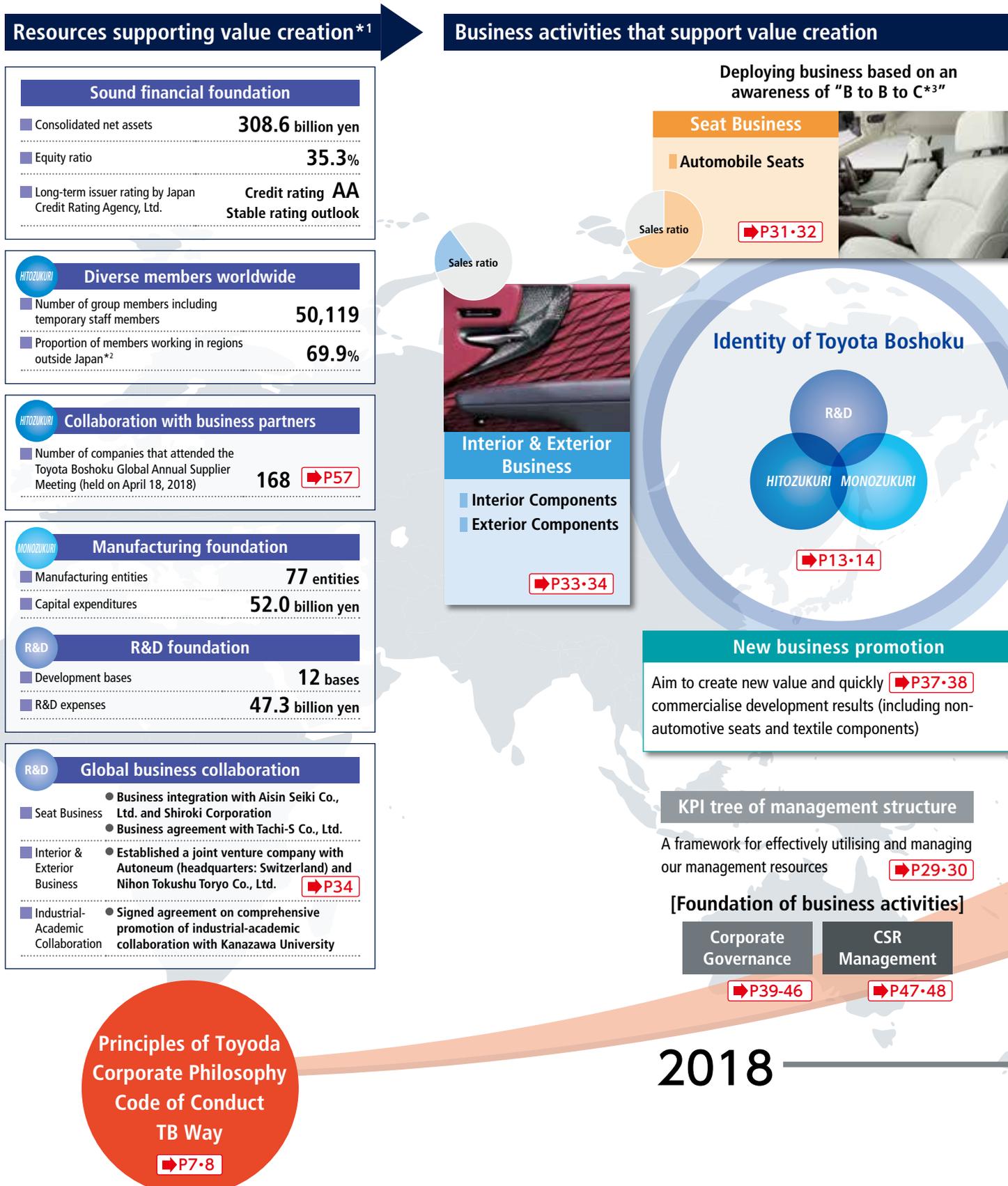
●2018

- Established a joint venture between Toyota Boshoku, Autoneum and Nihon Tokushu Toryo Co., Ltd.
- Signed an agreement on comprehensive promotion of industrial-academic collaboration with National University Corporation Kanazawa University
- Announced 2020 Management Plan

100th anniversary in 2018

Value Creation Process to Realise Our Vision

The Toyota Boshoku group pursues sustainable growth by way of a value creation process.



[VISION]

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

Our desired status in Business

Aiming to achieve "a company that persists in proposing excellent mobility for customers throughout the world"

Our desired status in Society

Aiming to secure "a trusted company that grows together with all stakeholders"

▶P15•16

Fiscal 2018 results*1

Enhanced capital efficiency

ROE	17.3%
Consolidated net sales	1,399.5 billion yen
Operating profit margin	5.1%

Shareholder return

Dividend payout ratio	23.5%
Income taxes	22.3 billion yen

HITOZUKURI Member motivation and growth

Innovation of vibrant work style Member satisfaction (KPI on vibrant work environment)	66%	▶P54
Established a work environment for diverse members Completed basic design for Global HR Platform		▶P55
Growth Number of people qualified with National Trade Skill Testing & Certification	Total: 1,555	▶P56

MONOZUKURI Provision of value to customers

Toyota Boshoku group Seat production	7.4 million units
Seat sales ranking (Toyota Boshoku research)	No. 3 globally
Offer "QUALITY OF TIME AND SPACE" Installed seats and interior products in new LEXUS LS	

R&D Development of new technologies

High added value Development of rechargeable lithium-ion battery	▶P36
Environment / Energy saving / Reduce mould yield ratio Development of water environment ecology technology systems	▶P62

Sales ratio



Unit Components Business

- Filters
- Air Induction Systems Products
- Fuel Cell-related Products
- Electric Powertrain-related Products

▶P35•36

2020

- 2020 Management Plan ▶P21•25
- Mid-term Business Plan for Implementation
- Business Target (FY2021 Plan / FY2026 Target)

2020 Environmental Action Plan ▶P59•60

2030

The Company We Aim to Become by 2030

QUALITY OF TIME AND SPACE

Offer "QUALITY OF TIME AND SPACE" in all mobility

2050

2050 Environmental Vision

▶P59•60

*1. Results as of the end of fiscal 2018

*2. Including temporary staff members

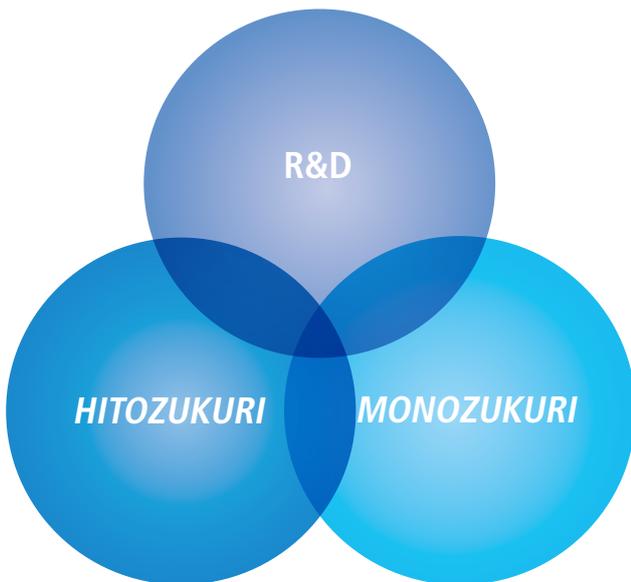
*3. Toyota Boshoku is striving to provide products that take into account the perspective and viewpoint of the customer so that we can meet the expectations of end-users (customers) who actually ride in the vehicle in addition to the manufacturers and businesses (direct customers) that purchase our products.

Combining the Identity of Toyota Boshoku to Create Unique Value for the Toyota Boshoku Group

“HITOUZUKURI,” “MONOZUKURI” and “R&D” support the business activities that help the Toyota Boshoku group create value.

Over the years, we have poured efforts into *HITOUZUKURI* and *MONOZUKURI* from the customer’s perspective based on the belief that manufacturing forms an integral part of human resources development.

One feature of our products is that users touch them directly. That’s why we always keep people in mind during *MONOZUKURI* as a way to connect with them and produce items that we know they will feel affection for. Based on this kind of *MONOZUKURI*, we will leverage our advanced R&D to continue providing comfort value.



HITOUZUKURI

We will combine and maximise the capabilities of our 50,000 members worldwide to ensure that our “*HITOUZUKURI*” supports us over the next 100 years.

MONOZUKURI

Our “*MONOZUKURI*” over the past 100 years has created an affection for our products that is based on trust and assurance.

R&D

Our “*R&D*” is in pursuit of comfort in mobility spaces with a basis in safety and the environment.

*1 Total Quality Management activities refer to activities aimed at increasing customer creativity and satisfaction while enhancing the vitality of people and the organisation based on the basic philosophies of “customer first,” “full-member participation” and “continuously carrying out *kaizen*” to ensure flexible and resilient corporate quality.

*2 This award recognises achievements made in areas deemed challenging against individual goals that have been set (twice a year) as a means to accomplish policy. The objective is to create a workplace culture that encourages people to take on bold challenges without fear of failure and to support others in their efforts.

*3 This refers to the creation of production network foundations promoted by Toyota Boshoku, which includes visualisation of production conditions and indication management.

Examples of initiatives

Transfer our sense of value

[Philosophy]

- Culture to thrive with diversity, learn together and progress together
- Teamwork to challenge with united effort honestly and conscientiously
- Aggressive challenging spirit leading to satisfying work

Framework

- Strengthening of Total Quality Management (TQM) activities*1 ▶P52
- Innovation of vibrant work style ▶P54
- Global HR Platform ▶P55
- Challenge award*2

Events

- All Toyota Boshoku TQM Meeting ▶P52
- Global One TB (Global Week, *Ekiden* road relay race, etc.) ▶P27



A gold medal was won at the WorldSkills Competition in the mechatronics category.

▶P56

We must have a Customer First philosophy We should have a challenging spirit for advanced engineering and processing technologies

[Philosophy]

- Awareness of "B to B to C" to be trusted and chosen by customers (Customer perspective)
- Human-centered *Monozukuri* (Manufacturing and craftsmanship)
- A combination of high-quality, low-cost products and leading-edge technology for the next century (AI and Robotics)

Framework

- Thorough implementation of Toyota Production System (TPS)
- Manufacturing innovation based on TB Industry 4.0 (IoT)*3
- Frontline capabilities using assessments based on basic plant requirements*4
- Fostering of a culture of quality through the Global Quality Learning Centre (GQLC)*5 ▶P52

Events

- Establishing excellent manufacturing skills through the All TB Skills Competition ▶P56
- Karakuri KAIZEN® Exhibition Awards that include the Outstanding Karakuri KAIZEN award



Creating people-friendly processes (shortened work hour system)

▶P55

QUALITY OF TIME AND SPACE

[Philosophy]

- Insatiable curiosity and inquisitive mind at the vanguard of the times
- Global collaboration to achieve a lofty goal
- Pursue with passion and a sense of mission
- Overcome environmental and energy challenges via R&D solutions

Products

- Seats and interior components installed in the new LEXUS LS
- Aircraft seats that comply with new standards
- Front seat frames developed based on the TNGA*6 concept
- Lightweight moulded foam door trim with high impact resistance

Technology

- Development of rechargeable lithium-ion battery
- Development of water environment ecology technology systems (Weets)

Framework

- Agreement on comprehensive promotion of industrial-academic collaboration with Kanazawa University
- Technical Advisory Board*7



Develop time and space that provides a new value of experience.

*4 The aim of this is to strengthen structure mainly by evaluating daily management of plants in such areas as personnel, systems and management and making improvements through *genchi-genbutsu* (Go, see and study) in an effort to promote the independence of plants. ▶P51

*5 This is a place for learning the importance of quality first from the customer's perspective based on examples of past failures.

*6 Toyota New Global Architecture is an initiative by Toyota Motor Corporation directed toward structural reform of automobile manufacturing with the aim of greatly improving basic performance of vehicles and product appeal.

*7 This is a so-called brain group composed mainly of outside experts with the aim of quickly generating value for our R&D seeds.

Proposing Excellent Mobility with Seat, Interior & Exterior and Unit Components as Our Core Product Businesses

Amid the evolving environment surrounding the automobile industry, Toyota Boshoku will continue to provide even-more comfortable time and space by utilising its strengths, namely "HITOUZUKURI," "MONOZUKURI" and "R&D."

"Value Creation" aimed for by the Toyota Boshoku group

The Toyota Boshoku group aims to continuously expand its core businesses to raise profitability and generate economic value. Additionally, we will pursue sustainable growth by leveraging the core technologies cultivated in this process to diversify the value we provide and expand our business fields.

Through these efforts, we aim to create new value that is appropriate for society in the future.

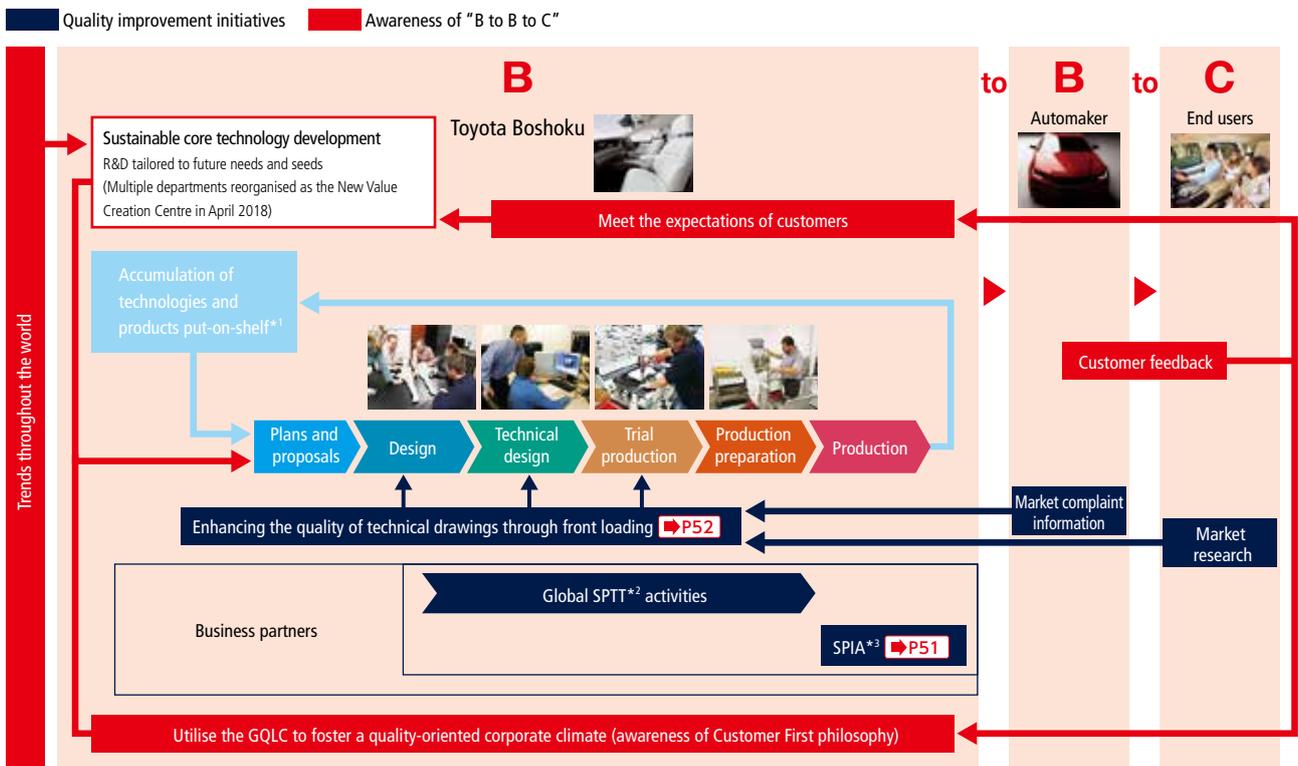
Value Creation in our core businesses

In our core businesses of Seat, Interior & Exterior and Unit Components, we will make consistent responses for each vehicle model in areas ranging from plans and proposals to production and delivery. In doing so, we will also manage a diverse range of vehicle models on a one-vehicle-by-one basis (one project). At the same time, we are also establishing a global manufacturing structure for undertaking in each region functions from planning to production of high-quality products matched to the needs of customers worldwide.

1 System for producing value

The Toyota Boshoku group is drawing on its accumulated know-how and cutting-edge technology development and working in tandem with automakers to provide even higher-value products to end users throughout the world. To thoroughly promote an awareness of "B to B to C" and

the "Customer First philosophy," we are working in unison with business partners to globally implement a variety of initiatives for raising quality that include fostering a quality-oriented corporate culture utilising the Global Quality Learning Centre (GQLC).



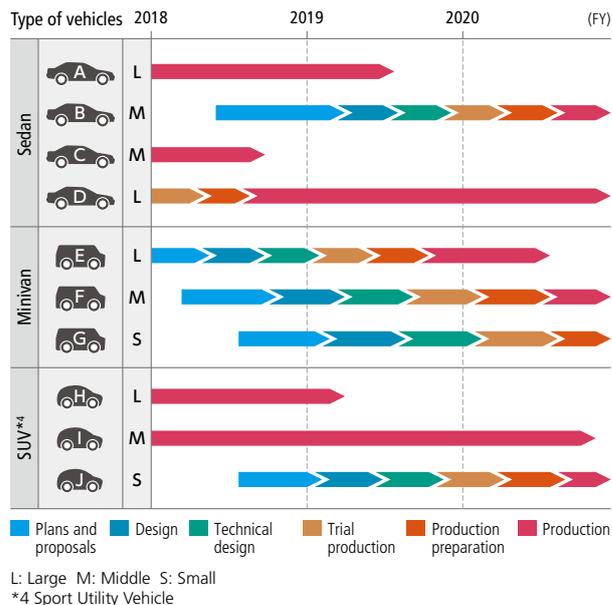
*1 This involves putting excellent technologies and information on products onto a shelf, which is a database, and applying these to next-generation product development.

*2 Supplier Parts Tracking Team

*3 Supplier Process Improvement Activity

2 Project management for core businesses

The Toyota Boshoku group undertakes a wide variety of projects in accordance with the development and production schedules of automakers and vehicle model life. In doing so, we carry out integrated management of projects from planning to production that covers scheduling, costs and profits. Based on this project management for each business, we intend to further solidify our earnings foundation. Also, by internally sharing information on improvements for issues in each project, we aim to further evolve the Identity of Toyota Boshoku of "HITOUZUKURI," "MONOZUKURI" and "R&D" globally to generate further value.

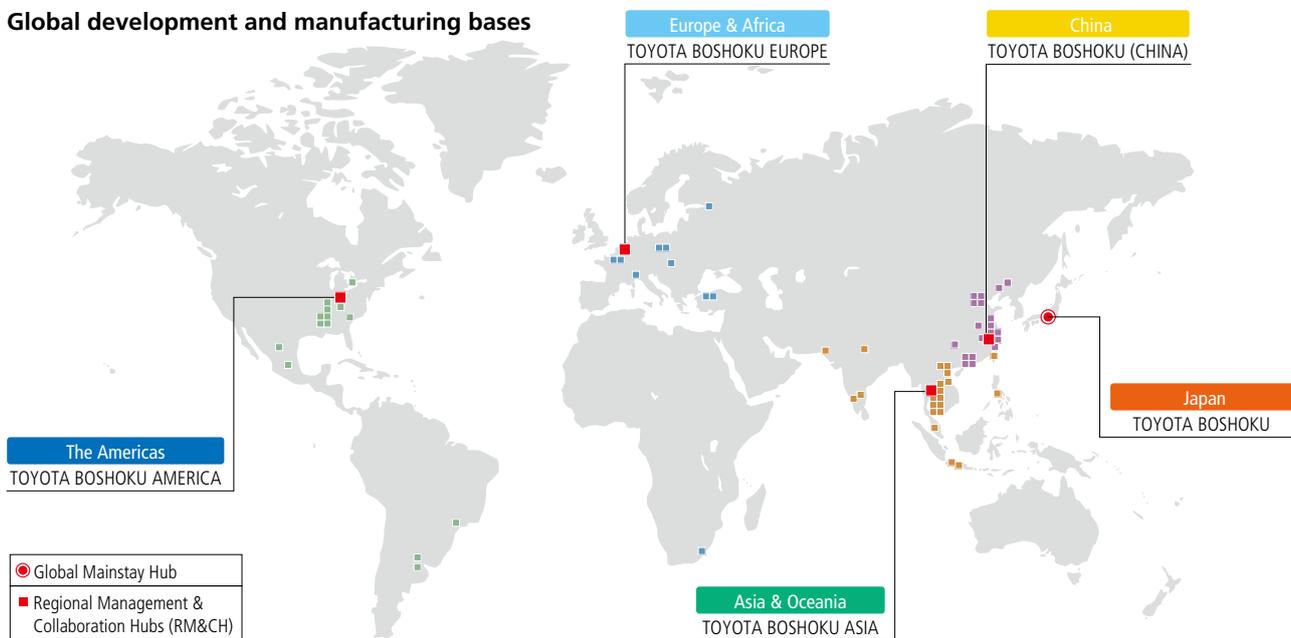


3 Global manufacturing tailored to needs

The Toyota Boshoku group operates sites at 107 companies in 26 countries and regions to undertake development and production matched to the needs of each region. In carrying out *MONOZUKURI*, we thoroughly implement the Toyota Production System (TPS) globally. As one example of the application of TPS, we utilise our

global sites to provide high-quality products matched to the needs of automakers around the world on a Just-in-Time*5 basis. Moreover, to continuously carry out high-quality *MONOZUKURI*, we are strengthening frontline capabilities by meeting basic plant requirements and carrying out *HITOUZUKURI*.

Global development and manufacturing bases



*5 Producing and transporting only what is needed, when it is needed and in the amount needed

Under our Mid-term Business Plan for Implementation, we are striving to "develop new technologies and new products toward 2030" and promoting "manufacturing innovation toward 2030" to create new value and expand into new businesses leveraging our Identity of "HITOUZUKURI," "MONOZUKURI" and "R&D" that we have accumulated to the present.

Toward an even larger number of customers

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

Realising a Way of Management for Enhancing Our Corporate Value

The Toyota Boshoku group is smoothly executing its Mid-term Business Plan for Implementation 2020 and is building a new management framework with an eye toward 2030. Here, Toyota Boshoku welcomes Ms. Keiko Katsu, who is active at the front lines of mass media, for an interview with Toyota Boshoku President Takeshi Numa. He will explain the way of management needed for driving solid growth as well as the initiatives aimed at enhancing Toyota Boshoku's corporate value amidst this profound transformational period.

President
Takeshi Numa



Strengthening Initiatives for the Future

Katsu I believe you have been extremely busy since taking over the duties of president of Toyota Boshoku in April 2018. Can you talk candidly about your current feelings and about matters you consider to be truly important based on your experience to the present?

Numa I have been given this opportunity to serve as President of Toyota Boshoku the same year the Company celebrates the milestone of its 100th anniversary and I keenly recognise my enormous responsibilities. I hope to transform the expectations placed on me by our stakeholders into positive energy that drives the Company toward the future. During my long years of involvement in the Quality Division, I learned first-hand about the value of listening to the voices of customers and markets. During my career, I also worked overseas, where I learned about accepting different cultures and diverse values as well as the importance of communication. As one particularly memorable experience, when I worked for Toyota Motor Corporation (TMC) I faced unimaginable difficulties during my involvement in the launch of the Kentucky Plant. This plant was the start of TMC's first independent entry into vehicle production in North America in 1987.

At this time, I encountered a parts manufacturer who was adamant that "Toyota Motor's design standards are quite strict," and in response, I politely explained the importance of Customer First and *genchi-genbutsu* (Go, see and study). Through determined efforts based on policies emphasising good communication for learning the true intentions of parts manufacturers, we were ultimately able to create products with the same level of safety, reliability and high quality as Japanese products.

Katsu I understand your thoughts very well, President Numa. Will the management path you have followed until now likely change in the future?

Numa In 2016, Toyota Boshoku formulated the Mid-term Business Plan for Implementation 2020 (hereafter Mid-term Business Plan for Implementation). Under this plan we will focus on solidifying our business footing and have clarified our desired status in anticipation of 2030, and started initiatives for the future as well. I personally had a hand in formulating the Mid-term Business Plan for Implementation and have actively implemented the plan up until now. I have just recently assumed the reigns of leadership from the previous president, Yoshimasa Ishii, so first of all I intend to firmly maintain measures taken to the present.

That said, the environment surrounding Toyota Boshoku is changing drastically and the automobile industry is currently in the midst of a once-in-a-century transformational period. Automated driving technologies are advancing rapidly while other industries such as IT (Google, Yahoo, etc.) and consumer electronics manufacturers (Panasonic, Canon, etc.) are entering the automotive industry as competition further intensifies globally.

Amid this environment, I am aware that my expected role is to accelerate the execution of the Mid-term Business Plan for Implementation with a sense of speed, and I am confident I can successfully accomplish this mission. As the person with the highest responsibility, I will continue to especially focus on “enhancing corporate value” and “setting up a strong and resilient business structure,” two tasks I have been actively involved with since formulating this plan.

Katsu Can you briefly review your business results and the main initiatives implemented in fiscal 2018?

Numa Net sales increased 41.6 billion yen from fiscal 2017 to 1,399.5 billion yen on the back of higher production in China and Europe. Operating profit decreased 700 million yen from fiscal 2017 to 71.1 billion yen, reflecting an increase in expenses associated with new product development and the implementation of action plans for the future. Nonetheless, we still attained our target operating profit margin of 5% for the second consecutive year.

Keiko Katsu

Ms. Katsu graduated from Gakushuin University. While still in college she appeared on TV Asahi Corporation's *NEWS STATION* and has subsequently worked as a newscaster and reporter for news, sports and informational programs at various media stations. Ms. Katsu also participates in numerous magazine and newspaper interviews. She is also actively involved in seminars and lectures on communications utilising her extensive experience as an announcer and serving as emcee for symposiums and seminars.

2007-2009 Member of Japan Securities Dealers Association's
“Policy Meeting Concerning Financial and
Capital Markets”

2009~ Environment CSR Advisory Committee Member,
Mitsubishi Corporation

2016~ Director of NGO Girl Power Promotion

Freelance announcer

Keiko Katsu





Profit attributable to owners of parent decreased 2.5 billion yen from fiscal 2017 to 42.7 billion yen. Looking ahead to fiscal 2019, we expect to record an increase in sales and a decrease in profits due to proactive upfront investments for future growth. However, by promoting measures taken to the present, I am confident we will steadily enhance our earnings power. (For specific details, refer to pages 65-77.)

Fiscal 2018 Results and Fiscal 2019 Full-Year Earnings Forecast (Consolidated) (Billions of yen)

	Fiscal 2018 results	Fiscal 2019 forecast
Net sales	1,399.5	1,400.0
Operating profit	71.1	62.0
Ordinary profit	72.8	64.0
Profit attributable to owners of parent	42.7	35.0
Exchange rates	US dollar	111 yen
	Euro	130 yen

*The fiscal 2019 forecast was announced on July 31, 2018.

Katsu What was the state of progress of the Mid-term Business Plan for Implementation in fiscal 2018?

Numa In looking ahead to 2020, under our Mid-term Business Plan for Implementation we promoted environmental and corporate social responsibility (CSR) initiatives for realising “corporate growth while fulfilling our responsibility in harmony with society” and undertook efforts for “strengthening our competitive advantage” and “strengthening our management foundation” in striving for sustainable growth. We promoted these initiatives in accordance with our roadmap.

Regarding strengthening our competitive advantage, we worked to develop new technologies and new

products toward 2030. Specifically, we focused on creating spaces that control the five senses and air quality and strengthened development capabilities for “sound” technology, one elemental technology for realising comfortable mobility spaces. In working to strengthen our management foundation, we promoted manufacturing innovation utilising Internet of Things (IoT) technologies, strengthened our profit structure, set up a strong and resilient business structure and created a global management foundation. These measures are moving forward as planned and are beginning to bear fruit. Given this, I believe we steadily improved our competitive advantage and strengthened our management foundation. (For details, refer to pages 25-26.)

Enhancing Corporate Value Is the Aspiration of Management

Katsu You mentioned earlier that you were focusing on “enhancing corporate value.” Could you explain your thoughts on this in a little more detail?

Numa We have defined corporate value as the sum of economic value and social value. The aspiration of management is to enhance corporate value under a process whereby we contribute to social value through growth in harmony with society while striving for sustainable growth with a focus mainly on “strengthen competitive advantage” and “strengthen management foundation.” These measures will allow us to raise our economic value and to share the positive results of these efforts with stakeholders in various forms while also reinvesting for the future, thereby enhancing corporate value over the medium and long term.

Katsu What are Toyota Boshoku's strengths for enhancing corporate value?

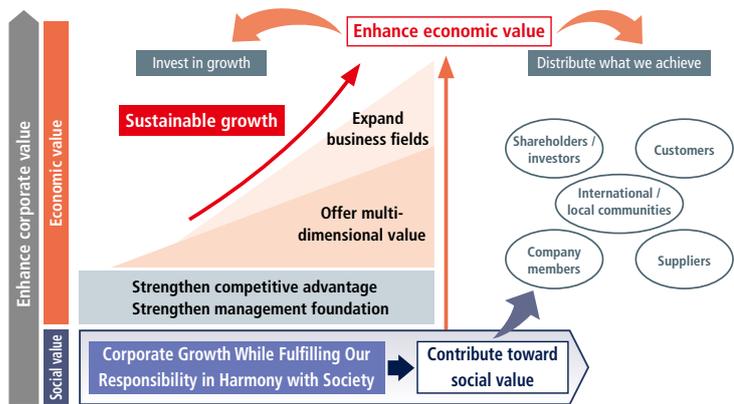
Numa We possess three major strengths for enhancing corporate value. The first is "human resources development" that harnesses the strengths of the 50,000 company members around the globe and that will support our growth in the future. The second is "manufacturing" cultivated for 100 years that creates affection based on trust and assurance. The third is "technology development" that aims to realise comfort in mobility spaces on the basis of safety and environment. I believe that improving and mobilising these strengths will help us enhance corporate value. (For details, refer to pages 13-14.)

Enhancing Corporate Value and the KPI Tree of Management Structure

Katsu How will you specifically execute this enormous task of enhancing corporate value?

Numa We introduced our KPI tree of management structure, a framework for easily monitoring the progress status and results of initiatives by organisations and company members for enhancing corporate value. (For details, refer to pages 29-30.) For example, we combine and introduce various resources at production lines when we seek to raise the competitiveness of manufacturing. We then analyse what creates value under these circumstances and what needs to be done to raise competitiveness and have established key performance indicators (KPIs). Once

The management structure we aim to achieve



the KPIs become clear, we can then clarify what should be done and the methods for doing so and can also accurately evaluate results.

Katsu So you mean that besides processes and results, all other initiatives can be assessed by the KPIs?

Numa That is correct. For this reason, the types of KPIs we select are crucial and we must constantly re-evaluate actual KPIs from new perspectives. Evaluations using KPIs will allow us to identify the fields of expertise and strengths of each and every company member and each department. I believe this will make it easier for everybody to perform their work.

Katsu So you are taking a creative approach whereby you execute management while leveraging company members' areas of expertise to enhance job satisfaction and also raise production efficiency.

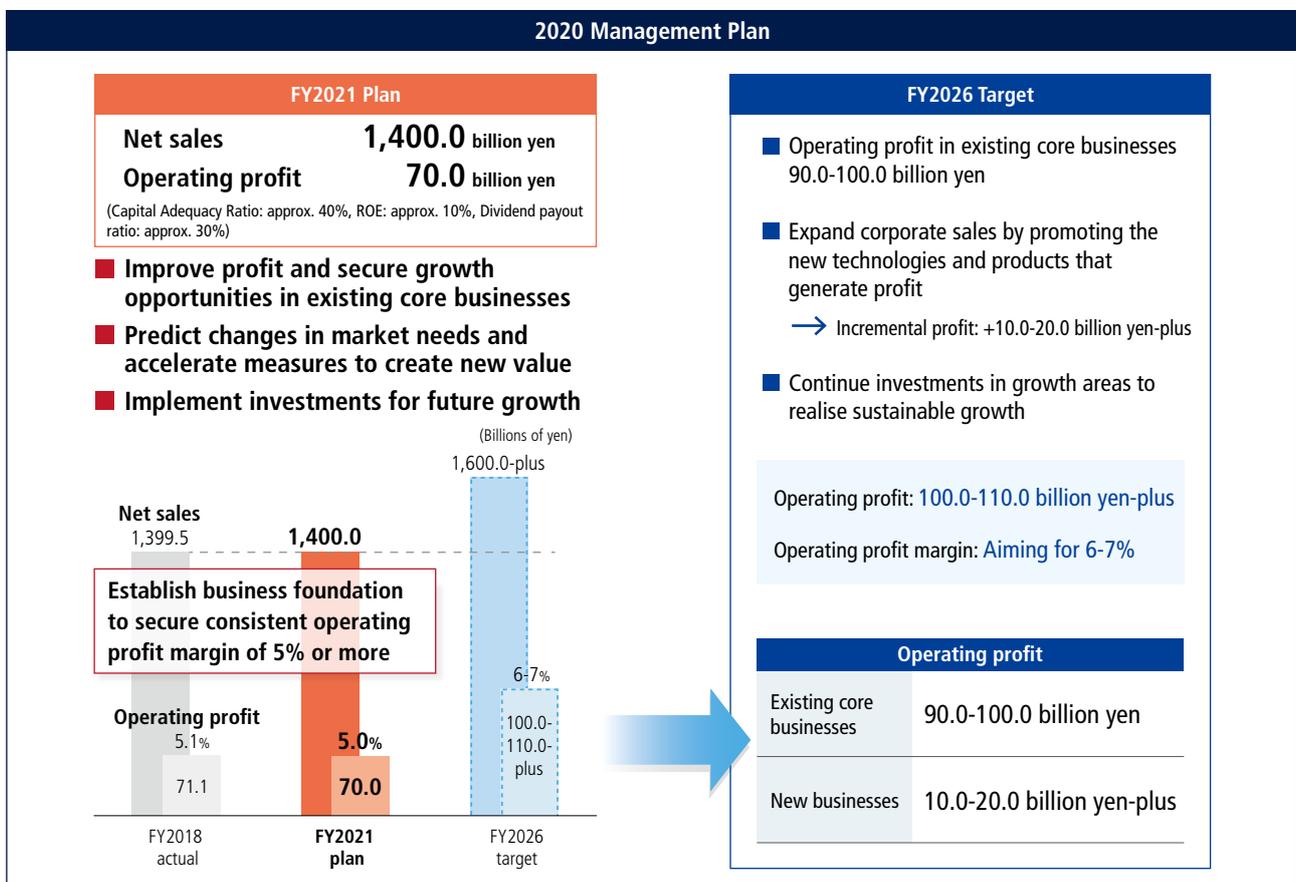




2020 Management Plan

Basic approach

- Accomplish Mid-term Business Plan for Implementation coping with changes in market trends
- Steadily realize financial benefits from our efforts by improving management capabilities



Numa We will further hone these KPIs in fiscal 2019 and I hope to see the entire Toyota Boshoku group move in this same direction. This will make it easier to evaluate what each company member must do to contribute to the company.

Promoting the 2020 Management Plan

Katsu Toyota Boshoku announced the 2020 Management Plan. Could you explain the ideas and details of this plan?

Numa We will execute the initiatives of the Mid-term Business Plan for Implementation while responding to changes in market trends and steadily realise financial benefits from our efforts by improving management capabilities through the KPI tree of management structure. Specifically, in the run-up to 2020 we will accelerate measures to create new value as well as improve profit and secure growth opportunities in existing core businesses to establish a business foundation to secure a consistent operating profit margin of 5% or more.

Furthermore, in looking ahead to 2025, when we expect the positive results of the 2020 Management Plan to become apparent, we aim for operating profit of 90.0 billion yen to 100.0 billion yen in existing core businesses and for total operating profit of 100.0 billion yen to 110.0 billion yen and an operating profit margin of 6% to 7% through an incremental increase by promoting new technologies and products. Toyota Boshoku also plans to allocate a total of 140.0 billion yen for R&D costs over the three-year period from fiscal 2019 through fiscal 2021. These funds will be mainly targeted at vehicle electrification, fuel cell-related products, cooling and

circulating water purification systems, and aircraft seats as well as for expanding our core businesses. Meanwhile, we plan capital investments of 180.0 billion yen over the same three-year period.

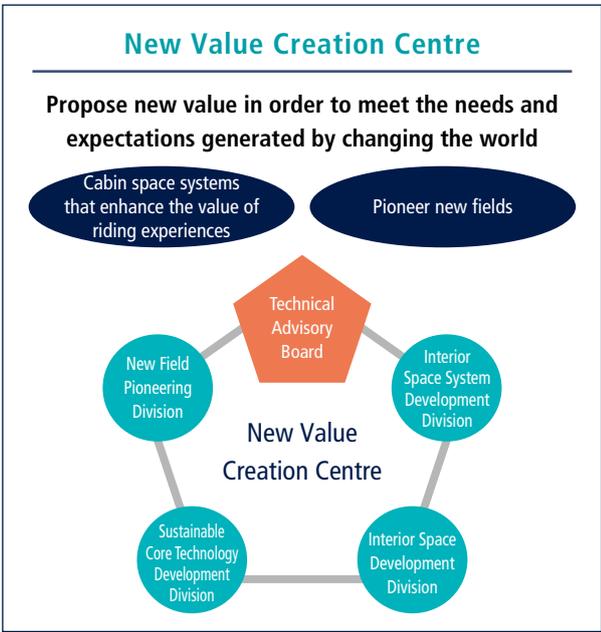
Develop New Technologies and New Products toward 2030

Katsu Recently, the automobile industry is described as being in the midst of a once-in-a-century transformational period. What types of initiatives will you promote in technology development?

Numa In April 2018, we integrated the Research Laboratories with the pioneering development field to establish the New Value Creation Centre to accelerate the theme of “Develop new technologies and new products toward 2030.” The opening of this centre represents the start of our efforts to anticipate needs spurred by changes worldwide and respond with innovative ideas. Within this centre, we also set up a so-called brain group composed of such members as the Technical Advisory Board made up of outside experts. We aim to incorporate knowledge from the diverse perspectives of these experts and create best practices to quickly generate value for our R&D seeds within society. Simultaneously, we established the New Business Promotion Group to drive the commercialisation of various needs and seeds. (For further details, refer to pages 37-38.)

The changes reshaping the automobile industry are typified by the acronym CASE, which stands for the four keywords: connected, autonomous, shared and electrification. In anticipation of future cars with advances in automated driving and electrification, we will fulfil our





role as an interior system supplier by raising capabilities for proposing concepts for entire cabin spaces as we strive to be entrusted by automakers to handle all aspects of their interior systems.

Katsu Looking down the road, do you plan to change your product concepts or manufacturing methods?

Numa In envisioning mobility spaces of the future, I foresee dramatic changes from the present shape of cars that have a cockpit and seats. For example, as automated driving advances, the ways we spend time inside cars will also change and cars will perhaps no longer be simply a

means of transportation.

I can picture a variety of functions such as air conditioning and seatbelts being incorporated into actual seats. Through the New Value Creation Centre, we will creatively consider mobility spaces of the future and promote commercialisation, with these efforts centring on the New Business Promotion Group.

ESG Management Indispensable for Growth in Harmony with Society

Katsu There is rising interest in ESG management, which emphasises three perspectives, environmental, social and governance, and also affects corporate value. What are your thoughts on ESG initiatives?

Numa We are determining our KPI tree of management structure. Key initiatives among these are environmental, corporate governance, compliance and risk management. In corporate governance we have raised transparency by reviewing our counsel and advisor system and are actively promoting the appointment of outside directors while also implementing measures for achieving sustainable growth. (For details, refer to pages 39-46.)

Katsu What are your thoughts on contributing to social value?

Numa We formulated the 2050 Environmental Vision under which we are taking on the challenge of achieving zero CO₂ emissions (For details, please refer to pages 59-60.) Besides reducing the environmental impact caused by our business activities, I believe that undertaking initiatives that will allow our actual businesses to contribute to the environment is also important. Let me give you one good example. Our high impact-resistant plastic*1 achieves a



reduction in materials, yet is stronger than conventional similar products while helping cut fossil resource consumption. We will promote technology development and strengthen human resources development and manufacturing, and strive to raise corporate value while contributing to society. These initiatives will be undertaken in keeping with the Principles of Toyoda, which contain the ideas of founder Sakichi Toyoda and serve as the base of our corporate philosophy. Preserving the spirit of the principles and philosophy and utilising this in our businesses is one of our strengths.

Katsu From our perspective in the media, I feel an important issue is whether or not companies disseminate information in a timely manner, especially regarding their responses to company risk.

Numa You are absolutely correct. When a fire occurred at Toyota Boshoku's Tsutsumi Plant in April, we did our best to properly communicate the state of this situation. Despite these efforts, we still caused considerable troubles for the residents of the local community and I extend my sincere apologies to everyone affected. We are committed to quickly identifying the cause and will make company-wide efforts to implement countermeasures to prevent a recurrence of a similar accident. Through this accident, we witnessed first-hand the deep concern such incidents cause local residents and customers and have painfully reflected on this accident.

As we continue to cherish the uniqueness of the Toyota Boshoku group, we will consider what we can do and should do to promote CSR management and contribute to attaining the SDGs*² formulated by the United Nations.

Katsu I understand and look forward to your future initiatives. Finally, can you convey a powerful message to

stakeholders.

Numa As I explained at the outset of this interview, up to the present I have valued and acted in accordance with three principles: Customer First, *genchi-genbutsu* and communication. With these three principles serving as action policies, I believe we must always consider what is important for our customers and for our stakeholders and move into action even if the times change drastically in the future.

Additionally, the Company will promote corporate growth in harmony with society while fulfilling its responsibilities as a good corporate citizen and strive to enhance its corporate value on a mid-to-long-term basis and make company-wide efforts to ensure it can return its achievements to stakeholders. You can count on Toyota Boshoku in the future.

Katsu As a stakeholder, I have high expectations of Toyota Boshoku going forward. Thank you for sharing your thoughts and insights today.

Numa Thank you very much as well.

*1 Plastic materials possessing world top-class impact resistance

*2 Sustainable Development Goals: Objectives for sustainable development consisting of 17 goals and 169 targets

Mid-term Business Plan for Implementation 2020 Progressing in line with Plans

We are steadily enhancing the basic competitiveness of our business and strengthening our management foundation.

Desired status		Key measures		Progress & results	
Corporate growth while fulfilling our responsibility in harmony with society	CSR	Contribute to enhancing social value through activities that meet the expectations of every stakeholder		<ul style="list-style-type: none"> Create CSR management structure Establish KPIs, conduct follow-up meetings and link to director compensation system 	
	Environment			<ul style="list-style-type: none"> Implement 2020 environmental initiative plan as a step toward the 2050 Environmental Vision 	
Sustainable growth	Strengthen competitive advantage	Develop new technologies and new products toward 2030	Comfort Safety	<ul style="list-style-type: none"> Promote development of time and space, including development of parts to control mechanisms Embark on development of a mutual management system for five senses and air quality 	
			Environment	<ul style="list-style-type: none"> Develop new products in response to vehicle electrification 	
		Manufacturing Innovations toward 2030		Affection Trust Assurance	<ul style="list-style-type: none"> Begin collecting data to achieve indication management for maintenance Execute production technology development themes without failure: completed 22 themes (results in FY2018)
	Further enhance our fundamental capabilities in manufacturing	Strengthen capabilities		<ul style="list-style-type: none"> Reduce development man-hours and implement standardisation by improving development process and improve perfection of drawings Introduce model life profit management 	
		Strengthen production and capabilities		<ul style="list-style-type: none"> Begin standardisation of processes to improve quality and productivity Implementing improvement of weaknesses based on plant assessment to achieve plant independence 	
	Strengthen management foundation	Strengthen profit structure	Evolve system supplier system		<ul style="list-style-type: none"> Examine desired status, organise current issues, make proposals to customers and agree to start consideration
			Complete business integration for seat frames		<ul style="list-style-type: none"> Started restructuring to create global optimal production system for seat frames (North America, China) Began in-house frame device production which has a high cost competitiveness
			Establish business foundation for Global New Customer Business		<ul style="list-style-type: none"> In the emerging market compact car business, redeveloped competitive products and manufacturing methods Created foundation for aircraft seat business Developed cooling and circulating water purification system for metal moulds and cooling towers
		Rebuild business structure in Japan		<ul style="list-style-type: none"> Established plan to restructure plant to be able to flexibly respond to production fluctuations 	
	Build a resilient business structure		<ul style="list-style-type: none"> Completed review and set goal for strong business continuity plan Undertaking measures for building business structure that will flexibly respond to demand fluctuations and minimise impact Set goal for dealing with changes in forex and finance environment 		
Create a global management foundation	Develop a management information infrastructure		<ul style="list-style-type: none"> Established the KPI tree of management structure and introduced ERP*1 system, and gradually launching operations 		
	Create a vibrant work environment where diverse people can fully demonstrate their abilities		<ul style="list-style-type: none"> Establish basic design for Global HR Platform Promote innovation of vibrant work style 		

*1 Enterprise Resource Planning refers to an operational cross-organisational core system that manages company-wide information in a unified manner and aim to make effective use of management resources.

Concrete examples of progress in initiatives

Comfort Safety

- **Develop technologies that center around “five senses” control and air quality**
 - Make an interior space that stimulates the five senses such as smell and sound as well as controls air quality
 - Develop assessment algorithms (awaken, emotion, health) and create a system that provides inspiration



Comfort Safety

- **Establishment of ATN Auto Acoustics Inc. for the evaluation and analysis of noise and vibration (NV) together with Autoneum and Nihon Tokushu Toryo Co., Ltd.**
 - Strengthening “sound” technology – an important factor for creating comfortable mobility spaces



Toyota Boshoku

*2 Noise, Vibration

➡P34

ATN AUTO ACOUSTICS

Deliver quality sound in the interior space

Autoneum Nihon Tokushu Toryo

Comfort Safety

- **Develop time and space that provides a new value of experience**



Exhibited the space concept for diverse scenes at the Tokyo Motor Show 2017



Take the space concept to the next level. Reproduce the value of experience outside and inside the mobility space

Environment

- **Develop new products in response to vehicle electrification**



Develop next-generation motor core realising more advanced performance while maintaining high quality



Develop rechargeable lithium-ion battery that achieves energy density on a par with HV battery and output density equivalent to a capacitor

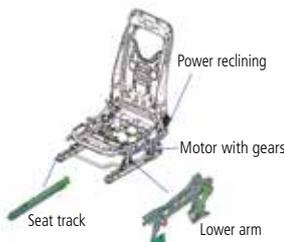
Trust Assurance

- **Plan to steadily realise TB Industry 4.0 (IoT)**
- **Promotion to build next-generation lines by accelerating process innovations**

- **Improve development efficiency by standardising parts and clarifying roles with overseas companies**
- **Steadily build standardised lines to improve quality and productivity**
- **Promote independence of plants by strengthening frontline capabilities**

- **Integration of the seat frame mechanism component businesses**

- Steadily switch to in-house manufacturing in such areas as front frame mechanism components (seat track, lower arm)
- Strengthen collaboration with Tachi-S Co., Ltd. such as mutual use of production site and facilities



- **Establish infrastructure for aircraft seat business**

- Develop base frame for new standard seats that can be used even with model change



- **Deployment of Emerging-market Compact Car Business**

- Implement full-fledged market survey and benchmarks and redevelop products and manufacturing methods with competitiveness. Promote business development in India and the ASEAN region.
- Expand lineup and promote sale of high quality and reasonably priced products



- **Develop cooling and circulating water purification systems for moulds and cooling towers**

➡P62

Weets



Special Feature

Held Global Week 2018 to Discuss and Act as “One TB” toward the Next 100 Years

Approximately 50,000 members work at over 100 sites in different countries and regions of the world in the Toyota Boshoku group. Every year, the Toyota Boshoku group holds Global Week, which serves as a platform to bring greater unity to the organisation and thus help realise the Company’s Vision.



Overview of Global Week 2018

Global Week 2018, a large-scale internal conference, was held with the aim of fostering unity on a worldwide level and through this increase the speed of actions to achieve the goals of the Mid-term Business Plan for Implementation. The event took place over four days from June 25, 2018 and had around 300 people in attendance, including top management from business entities around the world and leaders of the next generation responsible for respective countries and regions. Global Week 2018 was based on the concept of “Let’s discuss and act as One TB toward the next 100 years.” In addition to a review of the last 100 years, participants shared some of the initiatives to be executed over the next 100 years. Discussions centred on the ideal way of being for the Toyota Boshoku group for the future and the actions required to realise this vision.

1 Speech by top management (The Past 100 & Next 100 Years)

This year marks the 100th anniversary since the founding of Toyoda Boshoku Corporation, the roots of Toyota Boshoku. The speech took a look back at the history of the Company and reaffirmed the philosophy of past corporate members. Top management conveyed the determination and aspirations encapsulated in the Annual Slogan, “Let’s open the door! — Tackle the challenges together to a new century.” An explanation of the 2020 Management Plan announced in May 2018 was also given to further penetrate global understanding.



2 Global One TB

“Global One TB” refers to actions to unite all Toyota Boshoku members worldwide to achieve the Company’s goals. Discussions revolved around current challenges and issues in each region to be overcome in order to tie in this unity with ideas put forward on what approach the organisation should take going forward.



Exchanging opinions from the perspectives of HITOZUKURI, MONOZUKURI and R&D with a view to determining the best approach for the next 100 years



Person in charge of planning
Ted Schafer

We put together this session to show how important it is to work together as one global team to make the Toyota Boshoku group a better company. I know that achieving the Global One TB is difficult, but I think Global Week 2018 provided a great opportunity for participants to reconsider what the issues are and what we need to work on. Moving ahead, we will do our best to overcome the challenges associated with differences in culture and language, global collaboration, standardisation and infrastructure, and push forward with efforts in each region to achieve the goals of the Mid-Term Business Plan for Implementation.

3 Exhibition and discussion of advanced development

“QUALITY OF TIME AND SPACE” was the theme used in the introduction of the products Toyota Boshoku has developed. Three concept models were on display for the exhibition, including one focused on autonomous driving with new ideas for a customised interior and how it can be used, as well as one showcasing how sensing technology can be utilised to connect the driver with interior spaces and the seat. A motor core,



Feedback from participants is reflected in future development.

rechargeable lithium-ion battery and other products for next-generation vehicles were also exhibited to share the advanced technologies of the Company.



4 Experiencing manufacturing

Around 100 next-generation leaders from different regions had the chance to experience *MONOZUKURI* from four perspectives: the sewing process, robot teaching, safety and FMDS*. With robot teaching, participants tried their hand at programming to get a robot to solve a maze and learned how artificial intelligence (AI) is based on human skills and knowledge. Toyota Boshoku is making steady progress with the integration of production processes worldwide and the promotion of independent operations at each site. The approach of valuing fundamental capabilities is being thoroughly executed globally as a means to enhance site and organisational competencies.



Experiencing highly complex sewing skills Teaching a robot to create simulated drawings

5 Business meetings

Meetings were held to share information on and discuss the challenges and direction of the three Business groups – Seat, Interior & Exterior and Unit Components – and the textile business. The meetings served to further clarify, at the global level, the initiatives of each business aimed at achieving the goals of the Mid-term Business Plan for Implementation.



Sharing issues facing each business and discussing possible countermeasures.



* Floor Management Development System: A team made up of management members work as one using visualisation to perform daily management and site operations.



The KPI Tree of Management Structure Is a Framework for Effectively Utilising and Managing Our Management Resources

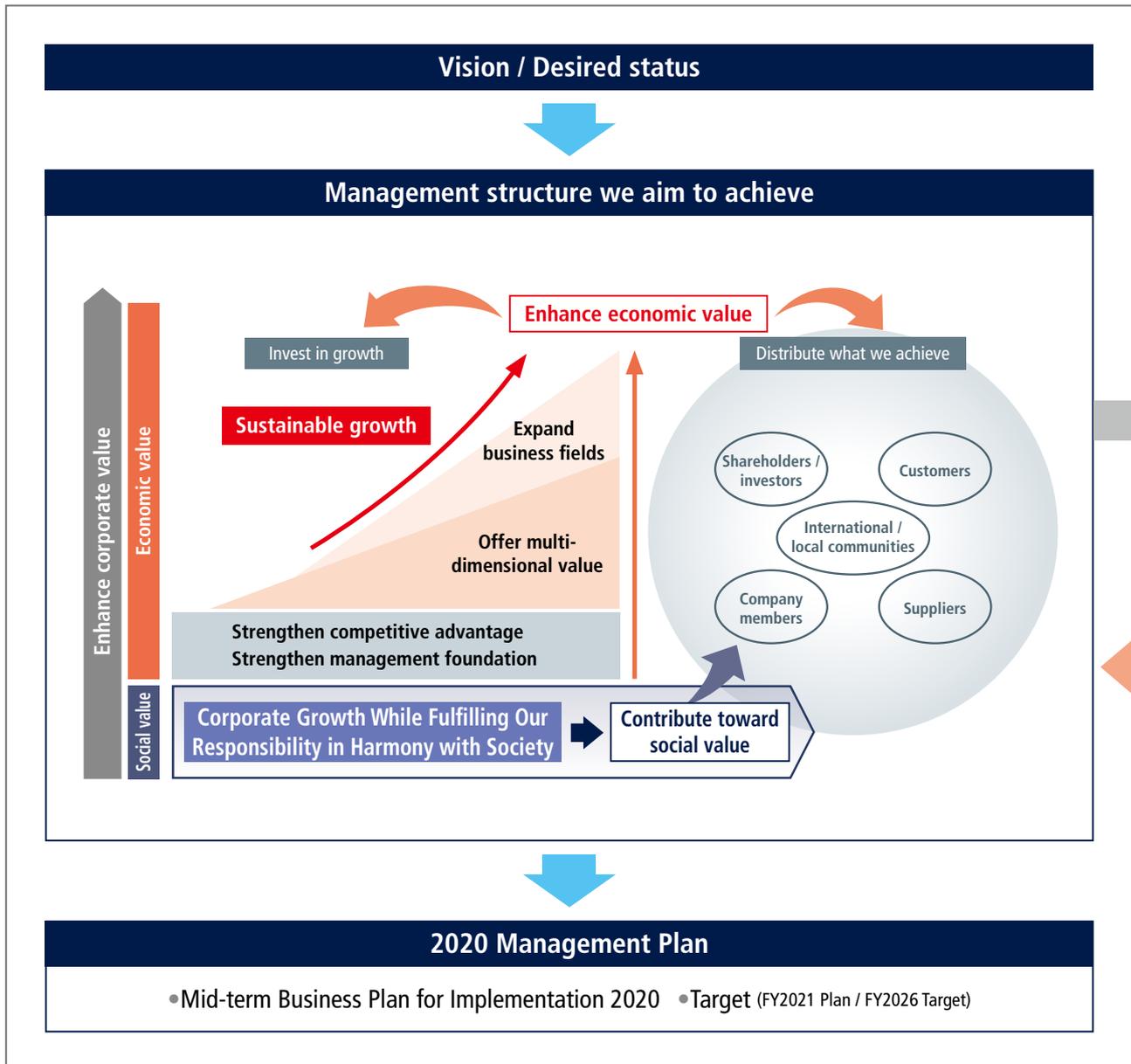
Toyota Boshoku undertakes various corporate activities for attaining its Vision and realising our desired status. To attain the management structure we aim to achieve, Toyota Boshoku established the KPI tree of management structure to follow its state of progress.

Toyota Boshoku pursues sustainable growth focused on efforts for strengthening our competitiveness and management foundation while aiming to contribute toward social value through enhancing company growth and fulfilling our responsibility in harmony with society as a good corporate citizen. This will enhance our economic value. We will then distribute to our stakeholders what we achieve by enhancing economic value and will enhance

corporate value on a mid-to-long-term basis and meet stakeholder expectations by re-investing in growth.

To realise the "management structure we aim to achieve," we established a framework for effectively utilising and managing our management resources and are setting the KPI tree of management structure to follow progress toward achieving our goals.

Management concept



Value creation through the KPI tree of management structure

Economic value

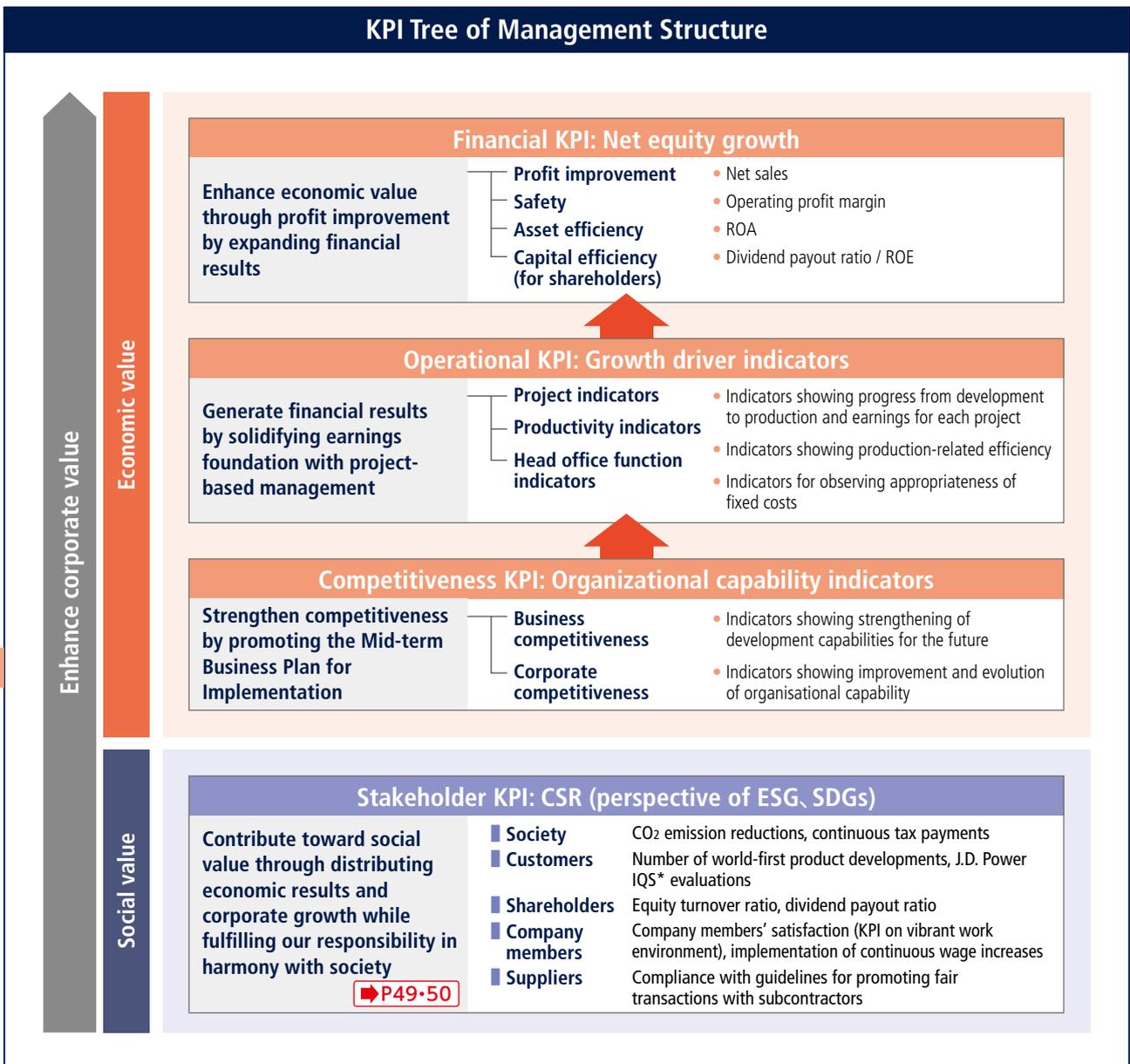
We strengthen our competitiveness through initiatives under the Mid-term Business Plan for Implementation and manage the business operations that support the Toyota Boshoku group's value creation as projects. We will further solidify our medium-to-long-term earnings foundation to derive financial results. We will then work to enhance economic value through profit growth via this expansion in financial results.

Social value

We contribute toward social value through distributing to our stakeholders economic value and enhancing company growth while fulfilling our responsibility in harmony with society.

KPI tree of management structure

We are establishing the KPI tree of management structure to verify the state of progress by establishing and systematising targets in accordance with the management structure. Concurrently, while thoroughly implementing company-wide initiatives for enhancing corporate value consistently from top management to team members, we are measuring the attainment level toward realising the management structure we aim to achieve and promoting the visualisation of how the work of each and every member is contributing to the Company. In fiscal 2019, we will promote even more concrete KPIs to further raise the level of initiatives to enhance corporate value.



* Initial Quality Study

— Introduction to the Initiatives in Each Business —

Strengthening the Foundation of and Expanding and Advancing Existing Businesses While Broadening Our Business Fields

The Toyota Boshoku group strengthened the foundation of its three product businesses consisting of the Seat Business, Interior & Exterior Business and Unit Components Business and expanded and advanced these businesses backed by its core technologies. From fiscal 2019 Toyota Boshoku has launched the New Business Promotion Group to spur further expansion of its business fields.

Seat Business

We aim to develop even more appealing products as a seat professional that leads the industry.

Operating production lines in regions worldwide, the Seat Business continuously pursues safety, security and comfort as the Toyota Boshoku group's mainstay business. To ensure that we lead the market as a seat system supplier with strong proposal capabilities, we are establishing and strengthening various structures while also promoting cooperation and collaboration inside and outside the Toyota Group.

[SWOT analysis]

Strengths

- Stable business as a seat system supplier
- Collaboration structure with Toyota Group companies
- High potential derived from business integration and business alliances

Weaknesses

- Order-receiving activities targeting new customers

Opportunities

- Possibilities for seats accompanying the advent of automated driving
- Emerging opportunities for deepening collaboration with other companies in the same industry

Threats

- Trend toward global mega-suppliers

Executive Managing Officer
Group Chief, Seat Business Group

Masanobu Ishikawa



Key points of initiatives in fiscal 2018

- Launch of the LEXUS LS
- In-house production of seat tracks, power seat devices and others
- Strengthen business alliance with Tachi-S Co., Ltd.
- Promote interchanges with a wide-range of automakers

Action plan for fiscal 2019

- Achieve results from the integration of the seat frame mechanism component businesses
- Propose added value for next-generation vehicles
- Strengthen initiatives for electronic control
- Permeate business targets and cultivate human resources who take on challenges

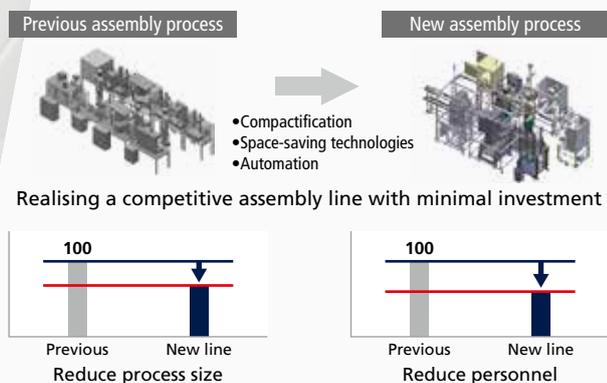
Looking back at fiscal 2018

Our seat for the new model LEXUS LS rolled out by Toyota Motor Corporation realises unsurpassed comfort in terms of operability and riding comfort. This seat is one major achievement in our ongoing quest for an ever-better seat through the integration of the mechanical seat frame component businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation in 2015. The synergistic benefits derived from this business integration are already becoming evident in a number of other areas, beginning with the start of in-house production of seat functional components in Japan in August 2017. Other benefits of this integration include the launch of a cost-competitive process featuring compactification and automation that harnesses the strengths of the three companies. In fiscal 2019, Toyota Boshoku plans to introduce the same process in The Americas and China. Also during the year, Toyota Boshoku acquired Tachi-S Co., Ltd. and we intend to strengthen our collaboration by mutually supplying existing components, considering development of new components and mutually using production bases and facilities.

Two years have passed since the launch of the Seat Business Group. Collaboration within the group is gaining momentum while decision-making speed has also accelerated. We have also worked toward standardisation and enhancing efficiency and plan to deploy initiatives in this area in regions outside Japan as we push forward with the cross-organisational development of highly competitive products for the future.

Fiscal 2019 and onward

From fiscal 2019 onward we are expecting to see a number of new model launches. In response, we will first steadily undertake production preparations and aim for cost reductions utilising the benefits of standardisation



and efficiency enhancements made to the present. We will steadily undertake our current business and examine the future strategies of the Seat Business again in fiscal 2019. With emerging country markets such as India and China expected to grow in the future, Toyota Boshoku aims to quickly grasp needs in these markets and will unify its business strategies not only for Japan but also globally and undertake initiatives in each region to meet this objective.

To successfully execute our Mid-term Business Plan for Implementation, the development of human resources possessing a high level of awareness is of paramount importance. With this in mind, we aim to foster a culture that encourages people to think spontaneously and take on challenges everywhere to attain high goals while continuing to create seats that truly satisfy customers.

As we make production preparations, we will “further enhance our fundamental capabilities in manufacturing” in striving for the smooth start-up of new projects. Additionally, we will strengthen our profit structure to raise added value, secure new customers and expand our customer base and promote the in-house production of seat frame devices. We expect these measures will lead to the attainment of our company targets of an operating profit margin of 5% or more in 2020 and 6%-7% in 2025.

Seats that pursue comfortability installed in new model LEXUS LS

This seat can be finely adjusted in accordance with the physical characteristics and circumstances of the rider to alleviate the burden during long-driving periods. Moreover, we realised a relaxing car interior space by combining rear space that offers superb liveability with a fine-quality cabin design.



We made improvements to a design that projects a sense of luxury as well as to operability and riding comfort.

Interior & Exterior Business

Anticipating Market Changes as a System Supplier and Creating Appealing Interior Space

The Interior & Exterior Business produces and sells a versatile selection of components and products that include door trims, headliners and floor carpets. Additionally, this business offers a total range of proposals and coordination of interior spaces as an interior system supplier. Besides raising safety and reducing environmental impacts, the Interior & Exterior Business proactively strives to create attractive interior spaces by enhancing interior spaces reflecting the study of people's five senses relating to texture, design, acoustics and light.

[SWOT analysis]

Strengths

- Global supply structure
- Original production technologies that reduce environmental impacts and achieve high quality
- A structure and proposal capabilities for coordinating entire interiors

Weaknesses

- Cost competitiveness of existing products

Opportunities

- Respond to next-generation mobility that includes automated driving and connected cars
- New era to promote plasticisation

Threats

- Intensifying global cost competition
- Accelerating market changes (need to accommodate next-generation mobility such as automated driving)

Executive Managing Officer
Group Chief, Interior &
Exterior Business Group

Masaya Ishii



■ Key points of initiatives in fiscal 2018

- Establish new technologies by supplying products for premium cars
- Promote standardisation in production structure globally
- Progress with a review of production and development structures

■ Action plan for fiscal 2019

- Create high added-value products
- Improve proposal capabilities as a system supplier
- Strengthen human resources development

Looking back at fiscal 2018

Following our involvement with the LEXUS LC (Luxury Coupe), as a system supplier we also undertook total coordination of the interior of the new model LEXUS LS. Of particular note, in door trims we achieved



Door of the new model Crown that realises a distinctive design such as a pleat surface

unprecedented lighter weight by combining Toyota Boshoku's unique moulded foam technologies with a base material that utilises Kenaf, an annual grass that grows quickly. I am confident

that the various know-how gained via the development and production of the LEXUS LS will help spur our future growth. From fiscal 2019 onward, we expect successive launches of global cars. To ensure these launches proceed smoothly, during fiscal 2018 we made important progress in the standardisation of our global production preparations that transcended countries and regions.

Our existing components currently face intensifying cost competition. In response, besides competing just in terms of low price, we must also provide products that raise value. In line with efforts to create added value as a system supplier, we have teamed up with collaboration partners and implemented "Let's make ever-better products" activities since 2015. In fiscal 2018, we further



galvanized these activities through such measures as awarding outstanding activities. We are actively promoting standardisation in both development and production technologies. For example, we are quantifying, digitising and promoting the visualisation of issues and problems that previously relied in part on the senses and experience of individual persons. These measures have helped strengthen our ability to make customer proposals and will help us elucidate causes of new issues and further enhance our ability to propose the best solutions in the future.

Fiscal 2019 and onward

In fiscal 2019 and onward there will be several major model production launches. We aim to reduce loss costs accompanying these production launches thanks to the standardisation of production preparations we focused on in fiscal 2018. Meanwhile, as initiatives to achieve further cost reductions and enhance efficiency, we will begin making full-fledged improvements and preparations such as shortening logistics routes within various processes, with the aim of realising growth in earnings power. We will also promote the use of high impact-resistant plastic adopted in door components for the new model Crown launched in June 2018, while focusing on the development and production of plastic products.

Our key watchwords in fiscal 2019 will be “raise added value.” Accordingly, we will consider ways we can raise added value in both products and processes. To do so, we will first of all strive to enhance efficiency by categorising our work methods and actual work. In parallel, we will allocate the resources gained through this enhanced efficiency to the next new or difficult-to-perform work, consider how we can create value and then take action.

The automobile industry is facing the first ever transformational period in 100 years and is witnessing such advances as the development of automated

driving and connected cars equipped with communications functions. Proposals for entire interior spaces can now be made using image sensing technologies and technologies utilising people’s five senses. This field is also one of the Toyota Boshoku group’s fortes. We will promote initiatives in this field while developing human resources and resolutely taking on challenges. In doing so, we will take the initiative in proposing comfort value as we aim to be a system supplier that leads the world.



Door trim of the new model Crown that realises an approximately 20% weight reduction compared with previous base materials while maintaining high impact performance

Establishment of ATN Auto Acoustics Inc.

Toyota Boshoku, together with Autoneum (headquarters: Switzerland), which boasts world-leading sound-insulation technologies in the automobile sound-proofing components field, and Nihon Tokushu Toryo Co., Ltd. (headquarters: Tokyo), established a joint venture that will engage in NV* evaluation and analysis of automobile interior and exterior systems. Going forward, the joint venture will propose NV measures for electric vehicles and other next-generation cars and create high added-value products related to comfort.

* An abbreviation for noise and vibration and one criteria for measuring the comfort of automobiles



The joint venture will leverage the strengths of the three companies and carry out evaluations, analysis and advanced development.


 Unit
Components
Business

Leveraging Our Total Strengths to Improve Development Capabilities and Proposal Capabilities for Taking on Challenges in Electrification and Strengthening Competiveness of Existing Businesses

The Unit Components Business is promoting initiatives in anticipation of the age of electrification, with efforts centring on our four core product lines consisting of filters, air induction systems, fuel cell (FC)-related products and electric powertrain-related products. We are leveraging our unique strengths in high-performance filters and air induction systems as well as electric powertrain-related products and fields related to fuel cells, which support electrification. At the same time, we are promoting the development of new businesses that utilise our core technologies.

[SWOT analysis]

Strengths

- Production technologies in precision stamping, plastic moulding and filter mediums
- Development capabilities in existing businesses
- Core technologies that create new businesses
- Facilities for handling various types of evaluations, testing and trial production

Weaknesses

- Sales structure for expanding sales of new products and new technologies

Opportunities

- Market changes in the powertrain field
- Rising global interest in environmental issues
- Potentials of new businesses

Threats

- Further acceleration of market changes

Looking back at fiscal 2018

Fiscal 2018 was a year in which the Unit Components Business steadily achieved results in accordance with the Mid-term Business Plan for Implementation. In existing businesses, production volume trended steadily amid our efforts to further strengthen competitiveness. Additionally, we actively engaged in new businesses, and in doing so, I believe we made tremendous strides toward commercialising these businesses. On top of this, we enhanced work efficiency and improved business operations. The positive results of efforts in these areas are also steadily emerging and have enabled us to secure the resources needed for future business expansion.

In new products, our high-efficiency, weight-reducing air filter MIRO and our cabin air filter with high-performance deodorising capabilities were installed in the new model LEXUS LS released in 2017, as Toyota Boshoku once again demonstrated the outstanding technological strengths in which we take great pride. As for electric powertrain-related products and FC-related products, we have begun changing plant layouts and reorganising plants to ensure that we can quickly respond to production increases in the future.

To reliably seize opportunities in markets where the pace of change is accelerating, we must refine our technological strengths and development capabilities and ensure we can maintain our high level of competitiveness. In keeping with our future scenario that envisions 2020 and the years beyond, we will promote the development of new technologies and products that apply our technologies cultivated to date such as our filtration

■ Key points of initiatives in fiscal 2018

- Strengthen existing four product lines... Define outlook for expanding the scale of new businesses
- Enhance efficiency of business operations... Start efforts toward achieving a 30% improvement in efficiency
- Development promotion for new businesses (innovative rechargeable batteries, water treatment business)

technologies and our Fine Hold Stamping (FHS) method, a high-precision, high-speed stamping technology. At the same time, we will step-up efforts toward future commercialisation of these technologies.

Fiscal 2019 and onward

In fiscal 2019, we will create a scenario for the ways we will respond to new orders and increased production in the future.

For example, we have started the operation of a new plant in Tianjin, China, in autumn 2018. This plant will serve as a supply base for filter products for northern China and also reliably respond to increased future orders. We will also give thought to alliances and collaboration depending on the circumstances and so a key future issue will be to consider the appropriate framework for such business collaboration.

Turning to new businesses, we would like to see the sprouts that emerged last year grow tall in the current fiscal year. More specifically, we will start the water treatment business that is based on Toyota Boshoku's filtration technologies. In this field, we intend to realise energy savings and reduce costs by re-circulating water used for cooling and cleansing at plant facilities. In battery-related products, a likely growth business in the future, we are promoting the development of a rechargeable lithium-ion battery. Our rechargeable lithium-ion battery boasts the same capacity as hybrid vehicle (HV) batteries and also ensures the highest level of reliability in terms of power output. We will step up our efforts toward future commercialisation of these batteries.

Ultimately, developing human resources will be a key factor supporting our future business development. In view of this, we aim to create workplaces that enable people to enjoy their jobs and truly feel a sense of reward by reforming work styles to the present and encouraging each individual to take on the challenge of advancing one step higher. I would like to make this a year in which we brainstorm for new ideas at vibrant workplaces with all company members of the Unit Components Business,



Executive Managing Officer
Group Chief, Unit Components
Business Group

Shouji Adachi

■ Action plan for fiscal 2019

- Establish production and supply structures for securing increased orders
- Promote profit structure reforms
- Promote commercialisation of new businesses
- Further promote work style reform

continuing to tackle new challenges and enjoying their work.

■ Development of a rechargeable lithium-ion battery

Toyota Boshoku developed a rechargeable lithium-ion battery utilising separators that apply microfiber technology and its precision stamping technologies. This lithium-ion battery features a size and capacity comparable to that of HV batteries and realises the same output density and durability as capacitors*. We will promote proposals for installation in super sports vehicles and premium vehicles.



* Storage battery that applies the principle of the electric double layer phenomenon

■ Development of cooling and circulating water purification system (Weets) ▶P62

Applying filtration technologies cultivated to the present, Toyota Boshoku developed a cooling and circulating water purification system (product name: Weets) for metal moulds and cooling towers inside plants. This system provides major benefits such as removing scale from inside cooling pipes and reducing the mould yield ratio as well as enabling maintenance-free filters, reducing energy consumption and controlling a rise in temperatures in cooling towers.

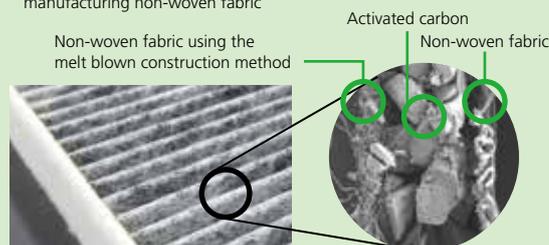


Weets

Cabin air filter with high-performance deodorising capabilities installed in new model LEXUS LS

Toyota Boshoku's cabin air filter with high-performance deodorising capabilities using the melt blown construction method* has been installed in the LEXUS LS. This filter features special activated carbon placed between fibres that enables a large increase in adsorption capacity without raising ventilation resistance. This filter removes particles and odours from the air and has realised comfortable cabin environments.

* A method which uses thermal wind to stretch molten resin and transform into fibres, while also laminating fibres on a conveyor and manufacturing non-woven fabric



New Business Promotion

Undertaking Activities Aimed at Sustainable Growth and Leading the Further Expansion of Business Fields

The New Business Promotion Group was recently organised to create strategies for new businesses and promote the establishment of business management and promotion structures. The Group's mission is to plan development strategies and sales strategies, including for new technologies developed in each business and field, as well as for products that apply these technologies, while putting these on track as businesses that will lead the future of the Toyota Boshoku group.



Executive Managing Officer
Group Chief,
New Business Promotion Group
Takashi Yamamoto

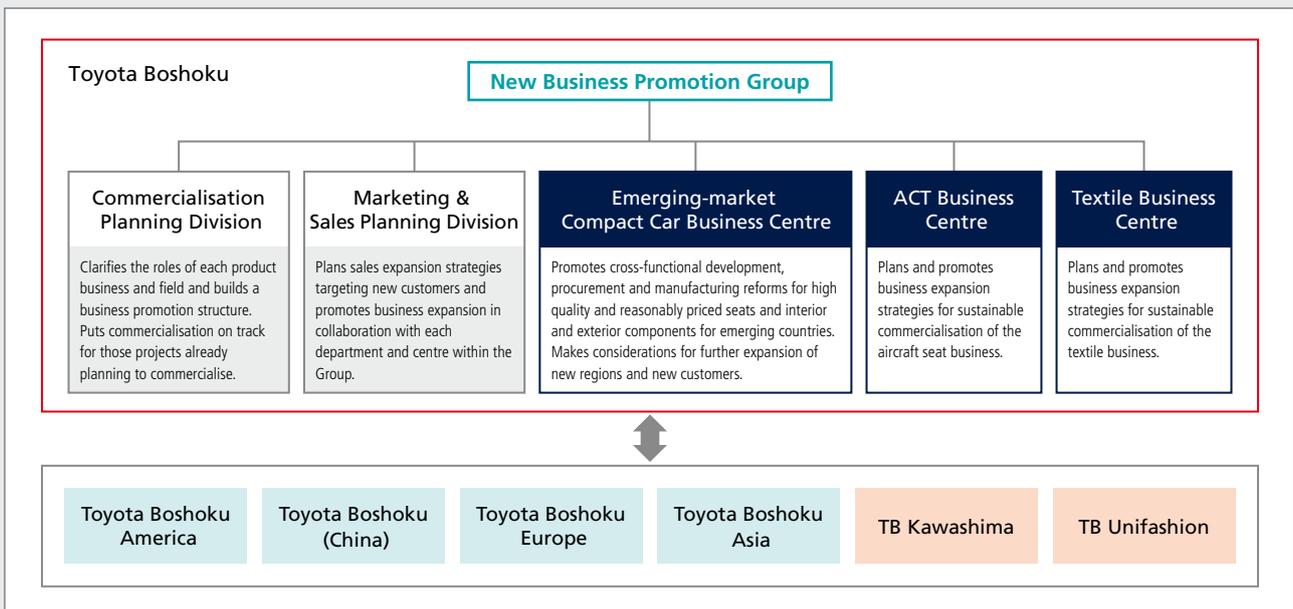
New Value Creation Centre as well as the technologies and the ideas that have already emerged in respective businesses and business fields.

The New Business Promotion Group includes the Emerging-market Compact Car Business Centre, which handles the promotion of high quality and reasonably priced manufacturing for compact cars for emerging countries and the expansion of new customers; the ACT*² Business Centre, which is responsible for undertaking the aircraft seat business; and the Textile Business Centre, which is responsible for promoting optimal production in the textile business, our original business, as well as business expansion. Within the group, we also assign specialists for planning and promoting business commercialisation and will clarify processes and key performance indicators (KPIs) for determining the future vision of our business. We will strive to quickly provide

Positioning of the New Business Promotion Group

The New Business Promotion Group was started along with the New Value Creation Centre*¹ in April 2018. The New Value Creation Centre aims to create the "seeds for new businesses" 20 and 30 years down the road. In contrast, the New Business Promotion Group will prepare and implement business strategies for quickly commercialising the needs and seeds identified by the

*1 Aim to propose new value in response to needs and expectations created by changes throughout the world.
*2 Aircraft & Train



Initiatives in fiscal 2019

Emerging-market Compact Car Business

- Redevelop products and manufacturing methods with competitive advantage. In particular, promote business development in India and the ASEAN region
- Commence sales activities for developed products
- Enhance line-up of reasonably priced products for emerging countries
- Strengthen sales activities targeting compact car manufacturers

Market surveys/benchmarks

Implement full-fledged market surveys and benchmarks

- (1) Features of technical equipment and structure (2) Assessment movements (3) Design trends (4) Optimal performance, etc.

ACT Business

- Strengthen sales activities for new standard seats
- Strengthen business strategies, including customer survey activities in regions with rising demand



Elemental development for compact cars in emerging markets

[Seats]

Simple Foam In Place Method seats



Seat design



Lightweight frame



[Interior & Exterior]

Decorative door trim



Textile Business

- Build optimal production structure in anticipation of future production increases
- Product development in anticipation of high added-value products and future automated driving



Seatbelt webbings



Curtain-shield airbags

support for commercialising needs and seeds and put these firmly on track as businesses and then operate these in respective conventional business sectors.

Fiscal 2019 and onward

The Emerging-market Compact Car Business thoroughly carried out benchmarking for compact car seats and interior and exterior components in emerging countries in fiscal 2018 and promoted product planning focusing on emerging countries. In fiscal 2019, we will strengthen our sales expansion strategy for emerging country markets, particularly India and ASEAN, where growth is expected. We will also promote the development of cost-competitive products for emerging market compact cars such as lightweight seat frames, high quality and reasonably priced filters and decorative interior components. To secure new customers, we will also undertake product proposal and sales activities targeting compact car manufacturers.

The ACT business has already delivered aircraft seats to ALL NIPPON AIRWAYS CO., LTD. in 2015 and these seats are earning high acclaim from customers. Aircraft have long service lives and every several years there is demand for replacing seats and interiors. For this reason, we can secure major business opportunities by winning the trust of each airline. Although to the present we have developed and delivered seats for older model aircraft, we already have clear prospects for developing seats in conformance with new standards and are further promoting sales activities.



Rechargeable lithium-ion battery



Door trim of the new model Crown that utilises high impact-resistant plastic

In the textile business, the cost environment is becoming extremely difficult. Nevertheless, we will build a structure for increased production of curtain-shield airbags, one of the Toyota Boshoku group's mainstay products, and seat webbings, which improved usability in anticipation of increased automobile production volume, mainly in emerging countries, as well as the tightening of safety regulations. Additionally, we will develop new products with the view toward automated driving and also carry out development of high added-value products with new functions.

We have already begun moving down the path toward commercialisation of several products that include a rechargeable lithium-ion battery (see page 36), a cooling and circulating water purification system (Weets) (see page 62) and a high impact-resistant plastic (see page 34). Going forward, following these businesses we will also promote the development and support of new businesses. Through these activities, in fiscal 2026 we aim to secure extra operating profit in addition to existing businesses in new fields.

Toyota Boshoku's Corporate Governance

Basic approach

The Toyota Boshoku group has stated as the first part of its corporate philosophy the desire to promote corporate growth while fulfilling our responsibilities as a good corporate citizen in order to satisfy all stakeholders. To realise this, the Company recognises the importance of maintaining and improving management efficiency, fairness and transparency as a global company alongside efforts to ensure sustainable corporate activities and will strive to expand and enhance its corporate governance. Specifically, the Company will advance the following: (1) Securing the rights and equal treatment of shareholders; (2) Appropriate cooperation with stakeholders other than shareholders; (3) Ensuring appropriate information disclosure and transparency; (4) Appropriate execution of the roles and responsibilities of the Board of Directors; and (5) Engaging in constructive dialogue with shareholders.

Response to the Corporate Governance Code

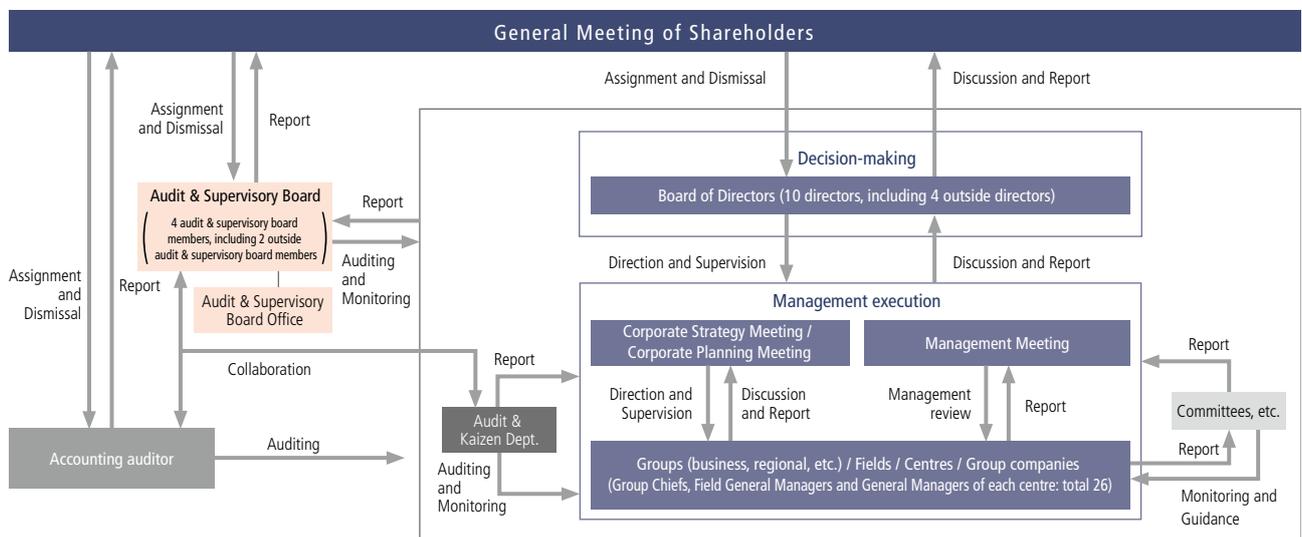
Toyota Boshoku has determined that it is in compliance with all principles of the Corporate Governance Code. We submitted the Corporate Governance Report to the Tokyo Stock Exchange.

Corporate governance system

In addition to resolutely responding to the Corporate Governance Code, Toyota Boshoku is working to strengthen corporate governance with the aim of increasing corporate value.

In July 2018, Toyota Boshoku established the Management Advisory Council to serve as a forum for the candid exchange of opinions regarding management issues and other issues. The council consists mainly of outside directors and is separate from organisations under the Companies Act.

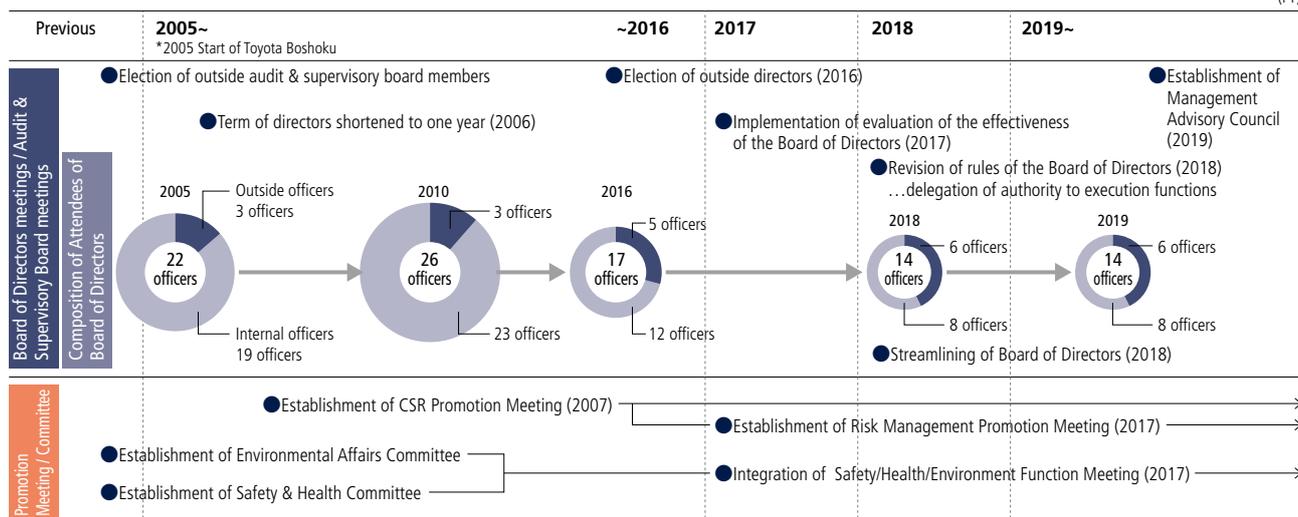
Corporate governance system



(As of June 2018)

Initiatives for improving corporate governance

(FY)



Reasons for election of outside officers

Classification	Name	Independent Officer	Supplementary explanation regarding suitability items	Reasons for election	Number of Board of Directors meetings, Audit & Supervisory Board meetings attended in fiscal 2018
Director	Takeshi Ogasawara	○	Advisor, MUFG Bank, Ltd. Business partner of the Company	Takeshi Ogasawara was elected because he possesses experience as a business executive over many years and to reflect this abundant experience and broad insight in the Company's management. Additionally, the Company deems that he meets the requirements for independent officer and that no conflict of interest with general shareholders will arise.	Attended 8 of 10 Board of Directors meetings (*1)
	Akihiro Koyama	○	—	Akihiro Koyama was elected because he possesses extensive experience and insight in his field of specialty and it was determined he can properly execute business duties. Additionally, the Company deems that he meets the requirements for independent officer and that no conflict of interest with general shareholders will arise.	(*2)
	Kazue Sasaki	○	Executive Vice President, Toyota Industries Corporation Business partner of the Company	Kazue Sasaki was elected because he possesses experience as a business executive over many years and to reflect this abundant experience and broad insight in the Company's management. Additionally, the Company deems that he meets the requirements for independent officer and that no conflict of interest with general shareholders will arise.	Attended 11 of 12 Board of Directors meetings
	Nobuaki Kato	○	Advisor, DENSO Corporation Business partner of the Company	Nobuaki Kato was elected because he possesses experience as a business executive over many years and to reflect this abundant experience and broad insight in the Company's management. Additionally, the Company deems that he meets the requirements for independent officer and that no conflict of interest with general shareholders will arise.	Attended 11 of 12 Board of Directors meetings Attended 2 of 3 Audit & Supervisory Board meetings (*3)
Audit & supervisory board members	Shinichi Sasaki	—	—	Shinichi Sasaki was elected because of his experience in important positions in a wide range of fields and to perform auditing from a broad perspective.	Attended 9 of 12 Board of Directors meetings Attended 10 of 13 Audit & Supervisory Board meetings
	Masakazu Aida	○	—	Masakazu Aida was elected because he possesses extensive experience and insight in his field of specialty and it was determined he can properly execute business duties. Additionally, the Company deems that he meets the requirements for independent officer and that no conflict of interest with general shareholders will arise.	(*4)

*1 Director Takeshi Ogasawara was elected as an outside director at the 92nd Ordinary General Meeting of Shareholders held on June 13, 2017 and following his selection Board of Directors meetings were held 10 times.

*2 Director Akihiro Koyama was elected as an outside director at the 93rd Ordinary General Meeting of Shareholders held on June 13, 2018.

*3 Director Nobuaki Kato resigned as an audit & supervisory board member and assumed the position of director at the conclusion of the 92nd Ordinary General Meeting of Shareholders held on June 13, 2017. Board of Directors meetings were held 2 times and Audit & Supervisory Board meetings were held 3 times until resigning as an audit & supervisory board member and Board of Directors meetings were held 10 times after assuming the position of director.

*4 Audit & supervisory board member Masakazu Aida was elected as an outside audit & supervisory board member at the 93rd Ordinary General Meeting of Shareholders held on June 13, 2018.

Role of training for directors and audit & supervisory board members

Prior to assuming office, newly elected outside directors and outside audit & supervisory board members receive explanations from internal directors and standing audit & supervisory board members about required knowledge pertaining to areas such as the Company's businesses, financial affairs and organisations.

We also implement new officer training for newly elected directors when needed and provide them with explanations on required legal knowledge and the roles and responsibilities of directors. Moreover, we also promote their acquisition of financial, accounting and other related knowledge.

Standing audit & supervisory board members continuously participate in external seminars and study workshops, not only when they are newly elected, and acquire and update required knowledge. Additionally, every year we invite outside lecturers and hold the Lecture for Executive officers and Executive Officer Legal Affairs Seminars for all executives and these events feature timely content tailored to the circumstances of the times.



Training workshop for executive officers by outside lecturers

Support structure for outside directors and audit & supervisory board members

The Company sends materials about the Board of Directors meetings beforehand to outside directors and outside audit & supervisory board members and also provides them with prior explanations on the important management issues of measures submitted to the Board of Directors. Additionally, the Company has assigned audit & supervisory staff to the Audit & Supervisory Board Office as part of a structure for supporting the business duties of audit & supervisory board members. Audit & supervisory staff support the daily auditing activities of standing audit & supervisory board members while also supporting the auditing activities of outside audit & supervisory board members through the operation of the Audit & Supervisory Board.

Evaluation results of the effectiveness of the Board of Directors

In order to evaluate the effectiveness of the Board of Directors, the Company conducted interviews with all directors and audit & supervisory board members, including outside members, by the corporate officer in charge of the administrative office of the Board of Directors. The results are analysed based on evaluation criteria provided by external evaluation organisations, then reported to the Board of Directors. The Company will work to enhance the effectiveness of the Board of Directors by thoroughly reviewing measures to address issues.

[Overview of Fiscal 2018 evaluation results]

(1) Overall

Important management decision-making was handled effectively and duties were performed effectively.

(2) Composition of the Board of Directors

Number of directors, including multiple outside directors, as well as structure were generally appropriate.

(3) Operational status of the Board of Directors meetings

Necessary subjects were discussed and reported, oversight and decision-making were conducted in a timely and appropriate manner based on an exchange of opinions, and operations were running appropriately.

(4) Presentation of information to outside directors

Necessary information for advice and oversight was provided.

(5) Main issues

- a. Made considerations for selecting outside directors with emphasis on greater diversity taking into account the appropriate composition of members.
- b. Further invigorated strategy discussions.

Directors' compensation

Fiscal 2018 executive compensation for Company directors and audit & supervisory board members was as detailed below.

Figures in parentheses are the portion for outside officers.

	Directors		Audit & supervisory board members		Total	
	Company members	Amount	Company members	Amount	Company members	Amount
Directors' compensation	16 directors (5 directors)	347 million yen (37 million yen)	6 audit & supervisory board members (3 audit & supervisory board members)	90 million yen (18 million yen)	22 officers (8 officers)	437 million yen (55 million yen)
Directors' bonuses	6 directors (—)	159 million yen (—)	—	—	6 directors (—)	159 million yen (—)
Total	—	507 million yen (37 million yen)	—	90 million yen (18 million yen)	—	597 million yen (55 million yen)

Note: The above table includes the portions for 6 directors and 2 audit & supervisory board members (including 1 outside audit & supervisory board member) who retired at the conclusion of the 92nd Ordinary General Meeting of Shareholders held on June 13, 2017.

Policy for determining directors' compensation

- The policy for determining directors' monthly compensation and bonuses is based on a system that assures compensation is linked to overall Company performance and that reflects job responsibilities and achievements. Bonuses in particular are determined based on consolidated operating profit for each business year and upon giving comprehensive consideration to such factors as dividends, company member bonus levels, trends by other companies and medium-to-long-term business results and actual past bonus payments.
- No bonuses are paid to outside directors and outside audit & supervisory board members because their role is to handle supervision and monitoring functions from an independent position.
- In accordance with the above, the chairman and president, after considering details, held consultations at a venue for hearing opinions concerning compensation for members that included outside directors and outside audit & supervisory board members, and based on the results of this consultation then submitted and resolved a proposal at the Board of Directors meeting.

Policy for constructive dialogue with shareholders

With the aims of achieving the Company's sustainable growth and enhancing corporate value over the medium and long terms, the Company promotes constructive dialogue with shareholders and provides them with easy-to-understand explanations of the Company's management policies and business conditions as part of efforts to gain the understanding of shareholders.

Internal control

Self-inspections are conducted on the status of internal controls via a checklist in order to regularly review and assess organisational governance processes, and the respective internal auditing departments are working to prevent inappropriate behaviour and mistakes at all our global locations by conducting audits at Toyota Boshoku divisions, plants, subsidiaries and affiliates. Auditing activities in collaboration with audit & supervisory board members are carried out and these include reporting results of audits to top management as well as receiving advice from audit & supervisory board members.

[Main policies for constructive dialogue with shareholders]

- (1) The Group Chief of the Corporate Planning Group is designated as the person in charge of overseeing dialogue with shareholders.
- (2) To promote dialogue with shareholders, relevant departments within Toyota Boshoku proactively cooperate, which includes creating and examining disclosure materials and sharing necessary information, while undertaking fair and proper information disclosure.
- (3) The Company holds quarterly results briefings and company information sessions that utilise domestic securities company conferences for analysts and institutional investors. Additionally, the Company holds plant tours for shareholders. Furthermore, the Company works to enhance its information disclosure by publishing business reports and the Toyota Boshoku Report.
- (4) Opinions obtained through dialogue with shareholders are provided to management and related departments as feedback and this information is shared.
- (5) The Company designates the period prior to the announcement of financial results as a silent period and restricts dialogue with investors. In the event that insider information is disclosed within the Company, the related parties sign the insider information registration management ledger as part of thoroughgoing information management.

Compliance



The Toyota Boshoku group states in its corporate philosophy that the Company will seek to promote corporate growth while fulfilling its responsibilities as a good corporate citizen. At the same time, the Company clarifies its overall promotion system, scope of activities and goals for compliance in each region, including Japan, and conducts activities under strong leadership from top management, while personnel in charge of legal affairs in each region share knowledge of issues as well as improve and strengthen compliance activities.

Strengthening compliance and making considerations for human rights

In addition to antitrust laws and anti-bribery measures, the importance of making considerations for human rights is also increasing. Toyota Boshoku works to raise members' awareness of compliance and human rights through various training and educational activities in order to ensure compliance with laws and regulations as well as co-existence with local communities by respecting various cultures, values and individuality.

In fiscal 2018, issues for strengthening compliance were discussed at the Global Legal Conference while activities to promote a greater awareness of the whistle-blowing system were carried out globally.

Strengthening the permeation and practical application of the code of conduct

The Toyota Boshoku group implements education and training using the Toyota Boshoku group code of conduct (code of conduct) [Web](#), the basis of its compliance, as a teaching material. These are implemented targeting all members with administrative and engineering skills as well as managerial positions with technical skills. Toyota Boshoku confirm the degree of practical application of the code of conduct while raising compliance awareness through training using e-learning and by undertaking Toyota Boshoku group Corporate Ethics Month activities.

Intellectual property management

The Toyota Boshoku group respects the intellectual property of third parties and appropriately values our own intellectual property, as our strong technology is viewed as a key management asset essential for global business development. We continuously work to enhance the protection and utilisation of our intellectual property.

■ Number of serious legal violations **None**



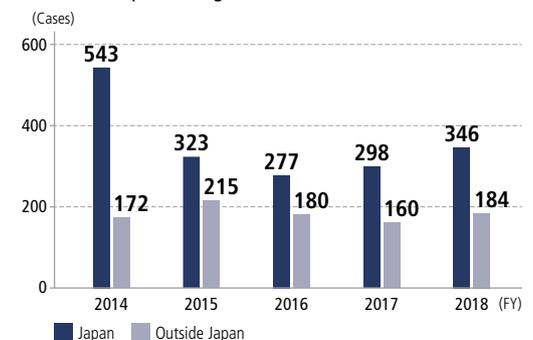
Discussions regarding compliance measures

■ Number of consultations

Fiscal year	2014	2015	2016	2017	2018
Anything Goes Counselling Office (cases)*	173	148	193	87	134
Compliance consulting contact window (cases)*	0	0	0	12	9

* Consultation or report issues concerning such matters as workplace problems, legal violations and internal misconduct

■ Number of patents registered



Risk Management



The Toyota Boshoku group is working to comprehensively reinforce risk management and reduce risk in order to respond swiftly to major risk that includes management risk, risk in daily operations, risk such as disasters and accidents, risk arising from the external environment such as global warming and water and social reputation risk*.

* Risk of losing societal trust

Principal risk management initiatives

Toyota Boshoku is strengthening risk management company-wide by sharing the state of progress of major risk response activities of respective functional divisions at the Risk Management Function Meeting established in order to prevent risks and minimise damage.

In fiscal 2018, Toyota Boshoku aimed to further strengthen our business continuity plan (BCP) by promoting various measures. In fiscal 2019, we plan to issue a revised edition of the BCP manual.

Additionally, Toyota Boshoku will continuously make efforts to prevent labour problems and thoroughly prevent a recurrence of fires at each business entity.

Confidentiality and information security management

The Toyota Boshoku group considers the appropriate management of confidential information to be an important element of our business activities. We created a global confidentiality management system to conduct confidentiality and information security management.

At Toyota Boshoku, in addition to strengthening activities in conjunction with respective functional divisions, we have assigned personnel responsible for confidentiality management and personnel in charge of confidentiality management within each division. We ascertain the weaknesses in each workplace through on-site discussion. We are looking into measures to mitigate confidentiality risk and are working to make ameliorations and improvements. In regions outside Japan, Regional Management & Collaboration Hubs (RM&CH) undertook self-inspections using confidentiality management standards that match the characteristics of each region and we deployed in sequence measures to resolve weak points at each site within a region across the organisation.

In fiscal 2018, Toyota Boshoku held confidentiality management seminars for personnel responsible for confidentiality management within each division and provided e-learning for all company members with the aim of further strengthening cyber security.

Priority initiative themes for risk management

Fiscal 2018

Business continuity	<ul style="list-style-type: none"> ◎ Supplier issues <ul style="list-style-type: none"> · Visualisation of the supply chain, critical materials countermeasures ◎ Indispensable processes <ul style="list-style-type: none"> · Risk measures for indispensable processes and facilities ◎ Production plant explosions / fires <ul style="list-style-type: none"> · Mapping of facilities and raw materials exposed to the risk of explosions and fires, prevent recurrence
Reputation	<ul style="list-style-type: none"> ◎ Respond to overwork

Fiscal 2019

Business continuity	<ul style="list-style-type: none"> ◎ Implement three initiative themes from fiscal 2018 at each regional entity. <ul style="list-style-type: none"> · Supplier issues · Indispensable processes · Production plant explosions / fires (includes suppliers) ◎ Reconfirm role of organisations and prepare manuals that complete initial response~restoration / reconstruction <ul style="list-style-type: none"> · Measures assuming a disaster at Toyota Boshoku in-house production plants due to Nankai trough earthquakes · Implement a simulation in the seat process at the Sanage Plant
Reputation	<ul style="list-style-type: none"> ◎ Prevent supplier data falsification ◎ Initial response when misconduct scandal occurs <ul style="list-style-type: none"> · Prepare media response procedures, training ◎ Respond to overwork
Others	<ul style="list-style-type: none"> ◎ Establish legal risk management structure ◎ Global-wide activities by the security export control structure ◎ Prevent mental health disorders ◎ Labour risk (strikes) in each region ◎ Respond to GDPR*

*General Data Protection Regulation: A new framework for protection of personal information established by the European Union

Directors, Audit & Supervisory Board Members and Managing Officers

Directors

Chairman **Shuhei Toyoda**

Apr. 1977 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
 June 1998 Member of the Board of Directors, TMC
 June 2001 Managing Director, TMC and President & CEO, Toyota Motor Engineering & Manufacturing Europe NV/SA
 Sept. 2001 Member of the Board of Directors (with Managing Director status), TMC
 Apr. 2002 President & CEO, Toyota Motor Europe NV/SA
 June 2003 Member of the Board of Directors (with Senior Managing Director status), TMC
 June 2004 Executive Vice President, the Company
 June 2006 President, the Company
 June 2015 Chairman, the Company (to present)



Vice Chairman **Yoshimasa Ishii**

Apr. 1976 Joined Toyota Motor Sales Co., Ltd. (now Toyota Motor Corporation (TMC))
 June 2005 Managing Officer, TMC
 June 2009 Senior Managing Director, TMC
 June 2011 Senior Managing Officer, TMC
 Apr. 2013 President & CEO, Toyota Financial Services Corporation
 June 2013 Member of the Board of Directors, TMC
 June 2015 President, the Company
 Apr. 2018 Vice Chairman, the Company (to present)



President **Takeshi Numa**

Unit Chief, Corporate Operation Unit
 Unit Chief, Quality Field
 Field General Manager, Quality Field

Apr. 1981 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
 Apr. 2012 Managing Officer, TMC
 Apr. 2016 Vice President, the Company
 June 2016 Executive Vice President, the Company
 Apr. 2018 President, the Company (to present)



Executive Vice President **Teruo Suzuki**

Unit Chief, Product Business Unit
 Group Chief, Corporate Planning Group

Apr. 1979 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
 June 2009 Operating Officer, the Company
 June 2010 Managing Officer, the Company
 June 2013 Executive Managing Officer, the Company and President, Toyota Boshoku America, Inc.
 June 2015 Chairman serving concurrently as President, Toyota Boshoku America, Inc.
 June 2016 Director, Executive Managing Officer, the Company
 June 2017 Executive Managing Officer, the Company
 Apr. 2018 Vice President, the Company
 June 2018 Executive Vice President, the Company (to present)



Executive Vice President **Yoshihiro Ito**

Unit Chief, Regional Business Unit
 Unit Chief, Purchasing Field

Apr. 1980 Joined Arakawa Auto Body Co., Ltd. (now Toyota Boshoku Corporation)
 June 2009 Operating Officer, the Company
 June 2010 Managing Officer, the Company and Director and Vice President, Toyota Boshoku America, Inc.
 June 2014 Director serving concurrently as Executive Managing Officer, the Company
 Apr. 2016 Director and Chairman serving concurrently as President, Toyota Boshoku America, Inc.
 June 2016 Executive Managing Officer, the Company
 Apr. 2017 President, Toyota Boshoku America, Inc.
 Apr. 2018 Vice President, the Company
 June 2018 Executive Vice President, the Company (to present)



Director, Executive Managing Officer **Yasuhiro Fueta**

Group Chief, Corporate Management Group
 Group Chief, Profit Control Group
 Group Chief, Business Reform Group

Apr. 1983 Joined Toyota Motor Corporation (TMC)
 Jan. 2015 Advisor, the Company
 June 2015 Managing Officer, the Company
 June 2017 Director, Managing Officer, the Company
 Apr. 2018 Director, Executive Managing Officer, the Company (to present)



Outside Director **Takeshi Ogasawara**

Apr. 1977 Joined The Tokai Bank, Ltd.
 May 2004 Executive Officer, UFJ Bank, Limited
 June 2004 Executive Director, UFJ Bank, Limited
 Jan. 2006 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) (now MUFG Bank, Ltd.)
 May 2007 Managing Executive Officer, MUFG Bank
 June 2008 Managing Executive Director, MUFG Bank
 May 2011 Senior Managing Director, MUFG Bank
 June 2012 Deputy President and Representative Director, MUFG Bank
 June 2016 Executive Advisor, MUFG Bank
 June 2017 Director, the Company (to present)
 June 2018 Advisor, MUFG Bank (to present)



Outside Director **Akihiro Koyama**

Apr. 1981 Lecturer (Full-Time), Faculty of Economics, Gakushuin University
 Apr. 1988 Professor, Faculty of Economics, Gakushuin University
 Mar. 1995 C4 (Full-Time) Professor, Faculty of Law and Economics, Bayreuth University, Germany
 Sept. 1995 Professor, Faculty of Economics, Gakushuin University (to present)
 June 2018 Director, the Company (to present)



Outside Director **Kazue Sasaki**

Apr. 1977 Joined Toyota Automatic Loom Works, Ltd. (now Toyota Industries Corporation)
 June 2003 Director, Toyota Industries Corporation
 June 2006 Managing Director, Toyota Industries Corporation
 June 2008 Senior Managing Officer, Toyota Industries Corporation
 June 2009 President, Toyota Industrial Equipment Manufacturing, Inc.
 June 2010 Director (with Senior Managing Director status), Toyota Industries Corporation
 June 2011 Senior Managing Director, Toyota Industries Corporation
 June 2013 Executive Vice President, Toyota Industries Corporation (to present)
 June 2016 Director, the Company (to present)



Outside Director **Nobuaki Kato**

Apr. 1971 Joined Nippondenso Co., Ltd. (now DENSO Corporation)
 June 2000 Member of the Board of Directors, DENSO Corporation
 June 2004 Executive Director, DENSO Corporation
 June 2005 President, DENSO International Europe
 June 2007 Senior Executive Director, DENSO Corporation
 June 2008 President & CEO, DENSO Corporation
 June 2011 Audit & Supervisory Board Member, the Company
 June 2015 Chairman, DENSO Corporation
 June 2017 Director, the Company (to present)
 June 2018 Advisor, DENSO Corporation (to present)



Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member **Sunao Yamamoto**

Apr. 1974 Joined Arakawa Auto Body Co., Ltd. (now Toyota Boshoku Corporation)
 June 2005 Operating Officer, the Company
 June 2011 Managing Officer, the Company
 June 2012 Executive Managing Officer, the Company
 June 2013 President, Toyota Boshoku (China) Co., Ltd.
 June 2015 Director serving concurrently as Executive Managing Officer, the Company
 Apr. 2016 Chairman, Toyota Boshoku (China) Co., Ltd.
 June 2017 Executive Managing Officer, the Company
 June 2018 Standing Audit & Supervisory Board Member, the Company (to present)



Standing Audit & Supervisory Board Member **Terukatsu Mizutani**

Apr. 1977 Joined The Tokai Bank, Ltd. (now MUFG Bank, Ltd.)
 Nov. 2006 Joined the Company
 Feb. 2010 Division General Manager of Legal Division, the Company
 Jan. 2014 Project General Manager of Legal Division, the Company
 June 2015 Standing Audit & Supervisory Board Member, the Company (to present)



Outside Audit & Supervisory Board Member **Shinichi Sasaki**

Apr. 1970 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
 June 2001 Member of the Board of Directors, TMC
 June 2003 Managing Officer, TMC
 June 2004 President & CEO, Toyota Motor Engineering & Manufacturing Europe NV/SA
 June 2005 Senior Managing Director, TMC
 June 2009 Executive Vice President, Member of the Board of Directors, TMC
 June 2013 Senior Advisor to the board and Senior Technical Executive, TMC
 June 2015 Audit & Supervisory Board Member, the Company (to present)
 July 2016 Advisor and Senior Technical Executive, TMC
 July 2018 Senior Technical Executive, TMC (to present)



Outside Audit & Supervisory Board Member **Masakazu Aida**

Apr. 1975 Joined Chubu Electric Power Co., Inc.
 July 2007 Managing Executive Officer, Chubu Electric Power Co., Inc.
 June 2009 Director & Senior Managing Executive Officer, Chubu Electric Power Co., Inc.
 June 2011 Appointed President, Techno Chubu Co., Ltd.
 June 2018 Audit & Supervisory Board Member, the Company (to present)



Executive Managing Officers

Yasushi Minami	Group Chief, Asia & Oceania Region Group President, Toyota Boshoku Asia Co., Ltd.
Masaya Ishii	Group Chief, Interior & Exterior Business Group
Masanobu Ishikawa	Group Chief, Seat Business Group
Ikuo Mochizuki	Group Chief, The Americas Region Group President, Toyota Boshoku America, Inc.
Shinji Kano	Unit Chief, Safety, Health & Environment / Production Engineering / Production Control Field Field General Manager, Production Engineering Field
Takashi Yamamoto	Group Chief, New Business Promotion Group
Hiroshi Ioki	Group Chief, Japan Region Group General Manager, Manufacturing Centre 3, Japan Region Group Plant General Manager, Kanto Plant
Yasuhiro Fueta	Group Chief, Corporate Management Group, Profit Control Group and Business Reform Group
Shouji Adachi	Group Chief, Unit Components Business Group

Managing Officers

Manabu Hachisuka	Executive Vice President, Toyota Boshoku Asia Co., Ltd. President, PT. Toyota Boshoku Indonesia
Toshiyuki Kawasaki	General Manager, Manufacturing Centre 2, Japan Region Group Plant General Manager, Sanage Plant and Takaoka Plant
Hirokazu Kamen	Group Chief, Europe & Africa Region Group President, Toyota Boshoku Europe N.V.
Hiroki Tsunoda	General Manager, Emerging-market Compact Car Business Centre, New Business Promotion Group
Kazuo Koide	Group Chief, China Region Group President, Toyota Boshoku (China) Co., Ltd.
Masamichi Sobajima	Executive Vice President, Toyota Boshoku Europe Assistant Chief, New Business Promotion Group
Seiji Teraji	General Manager, Interior & Exterior Parts Centre, Interior & Exterior Business Group
Hirotsugu Kobayashi	Field General Manager, Safety, Health & Environment Field Field General Manager, Production Control Field
Naoaki Hoshihara	General Manager, Seat Components Center, Seat Business Group

Contributing toward Social Value

We aim to be “a trusted company that grows together with all stakeholders” through implementation of our corporate philosophy.

Based on the Principles of Toyota, which encapsulate the ideas of founder Sakichi Toyoda, the Toyota Boshoku group formulated our corporate philosophy for maintaining the trust of all stakeholders and has put into effect the Mid-term Business Plan for Implementation 2020. In fiscal 2018, we codified the KPI tree of management structure as a framework to realise the management structure we aim to achieve. In fiscal 2019, we aim to promote corporate growth while fulfilling our responsibility in harmony with society by incorporating corporate social responsibility (CSR) and environmental, social and governance (ESG) perspectives into a stakeholder KPI (key performance indicator) for social value, namely the “KPI tree of management structure” that will enable us to track our progress. We aim to enhance economic value by pursuing sustainable growth, the kind of growth we strive for, and will return the benefits we gain to our stakeholders. At the same time, we seek to enhance our corporate value on a mid-to-long-term basis, meet the expectations of our stakeholders and contribute to the advancement of society through investment in sustainable growth.



Basic policy

The Toyota Boshoku group’s CSR activities are implemented throughout the course of daily operations based on our corporate philosophy. Each company member is aware of this philosophy in everything he or she does and this serves not only to drive growth for the entire group but also advance the personal development

of the individual.

We also formulated and are sharing the TB Way and the Toyota Boshoku group code of conduct as common values and behaviour globally in order to ensure the proper implementation of our corporate philosophy. (For details, refer to pages 7-8.)

Promotion system

The Toyota Boshoku group, led by the Corporate Planning Division with company-wide oversight, has promoted CSR activities since April 2016. Efforts revolve around advancing business and our CSR activities as a unified concept with the aim of ensuring a responsible management style focused on the environment, society and governance.

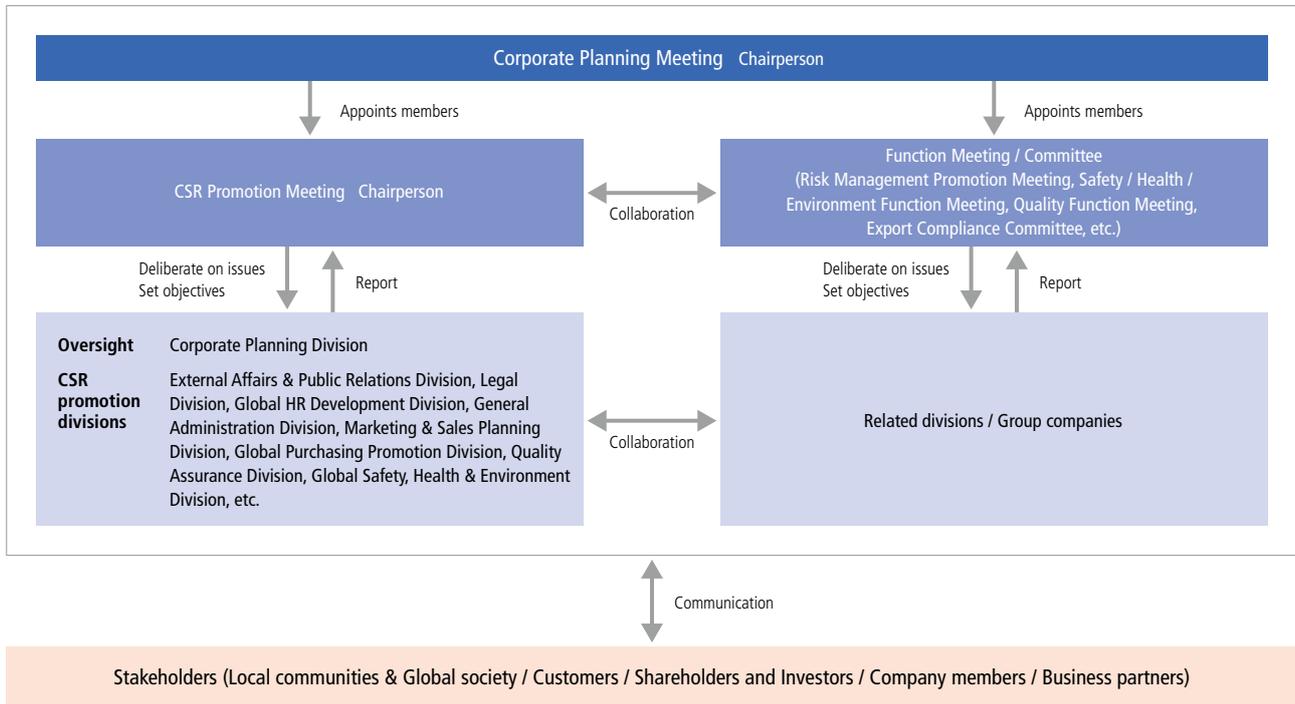
The CSR Promotion Meeting (chaired by the President, Executive Officer of the Corporate Operation Unit) deliberates on the issues at hand, formulates objectives and follows up on activities.

KPIs are set for each initiative that implements the corporate philosophy in order to objectively evaluate our

contribution to society, and a plan-do-check-act (PDCA) cycle is set in motion to ensure the most effective CSR activities. Also, in fiscal 2019, core KPI were set as the KPI tree of management structure, a stakeholder KPI for social value, in order to objectively measure contribution and return to stakeholders.

In addition, functional departments and other relevant departments join forces to promote daily activities as part of the entire group’s contribution to social value. (See pages 49-50 for results of activities in fiscal 2018).

Promotion system



Initiatives for the SDGs

The Toyota Boshoku group aims to drive sustainable growth with a view to achieving the Sustainable Development Goals (SDGs*) adopted by the United Nations in 2015 and to where we will be in 2030 so we can contribute to the international community through our business.

In particular, we formulated our 2050 Environmental Vision based on the belief that it is necessary to take a long-term perspective toward environmental issues and tackle them at an even higher level. In line with the vision, the Toyota Boshoku group has established six Stretch Environmental Goals related to environmental issues such as climate change, water shortage, natural resource depletion and biodiversity crisis. The Toyota Boshoku group has also formulated the 2020 Environmental Action Plan to realise the 2050 Environmental Vision

and is promoting the Establishment of a Low Carbon Society, Establishment of a Recycling-based Society and Establishment of a Symbiotic Society as core initiatives. Through all of our business activities, we aim to create a sustainable global environment where children can lead their lives with a smile. (For details, refer to pages 59-64.)

* Objectives for sustainable development consisting of 17 goals and 169 targets



Future initiatives

The Toyota Boshoku group will aim to contribute to social value through initiatives that are integrated with the KPI tree of management structure toward realising our Vision and desired status.

In fiscal 2019, we will work to embody and classify our KPIs in order to organise key items for our stakeholder KPIs for social value and KPIs for CSR, which we have undertaken in the past as CSR activities, and go to the next level.

As part of our efforts, we place importance on

communication with stakeholders so that we can respond to the needs of society. We also work to establish a structure that focuses in more detail on the environment, society and governance and to constantly contribute to social value throughout the group based on respective regulations and guidelines.

The activities we undertake aim to ensure that we are “a trusted company that grows together with all stakeholders.”

KPIs for Fiscal 2018 CSR Initiatives: Targets and Results

The Toyota Boshoku group constantly reviews management indicators in an effort to improve CSR activities so that our various corporate activities lead to the enhancement of corporate value. In fiscal 2019, we will push ahead with efforts to give shape to and better classify our KPIs in an effort to bring a higher level of integration with the stakeholder KPI of the KPI tree of management structure in order to enhance management.

(Assessment ○: Achieved △: Target achievement rate 80 to < 100% ×: Not achieved)

Basic policy		Evaluation items for KPI	Targets	FY2018 results	Evaluation	Page		
Local communities & Global society	Maintain ethical values, ensuring that our corporate activities are fair and transparent	Compliance G	Implementation level for Guiding Principles	100%	82%	△	43	
		Confidentiality management G	Number of confidential information leaks	0	0	○	44	
		Compliance with laws and regulations G	Number of bribery violations	0	0	○	43	
		Return profits to society S	Sustainable tax payment to local or national authorities by achievement of financial KPI	FY2021 target: operating profit of 5% or more	Operating profit: 5.1%	○	21	
	Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment	Environmental conservation E	Number of environmental abnormalities and complaints*	0	0	○	—	
			Ratio of CO ₂ reduction with basic unit (t-CO ₂ /1,000 units)	Reduce 9% vs FY2011 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 2%/year)	Reduced 10.6% vs FY2011 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 2%/year)	○	60	
			Ratio of waste reduction with basic unit (t/1,000 units)	Reduce 7% vs FY2011 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 1%/year)	Reduced 18.6% vs FY2011 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 1%/year)	○	60	
	Create a better society as a member of our local communities	Social contribution S	Number of volunteer activity participants	Total number: 7,200	Total number: 7,261	○	—	
	Customers	The Company will develop innovative technologies and products to deliver quality that satisfies our customers.	Customers first S	Number of prize-winning technology awards	More than one customer award	Received one customer award	○	—
	Shareholders and Investors	The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.	Disclosing information in a timely and appropriate manner G	Abidance to timely and appropriate disclosure	Abidance: 100%	Abidance 100%	○	53
Satisfaction of information disclosure for investors				Investors' satisfaction Positive response rate: Achieve 70%	79%	○	—	
Provide impartial information to institutional and individual investors				Investors' satisfaction Positive response rate: Achieve 70%	85.5%	○	—	
Return profits to shareholders G		Sustainable capitalisation by delivery of dividends	Dividend payout ratio: 24.4% (Annual dividend: 50 yen)	Dividend payout ratio: 23.5% (Annual dividend: 54 yen)	○	53		

G Governance **S** Social **E** Environment

* Abnormalities: In case oil, etc., has leaked into a public waterway at a level that exceeds legal, bylaw and agreement standard values
Complaints: In case of contact from a local citizen, government, etc., alleging physical damage or psychological effects on account of the company

(Assessment ○: Achieved △: Target achievement rate 80 to < 100% ×: Not achieved)

Basic policy		Evaluation items for KPI	Targets	FY2018 results	Evaluation	Page		
Company members	The Company will build and maintain positive labour-management relations, respect the individuality of its company members and create safe and comfortable workplaces.	Respect for company members S	Number of female managers	20	17	△	—	
			Designated employment rates of persons with disabilities	Comply with statutory employment rate of 2.00% (as of April 2017: 2.04%)	2.19% (as of April 2018)	○	55	
			Company members' satisfaction (KPI on vibrant work environment)	Positive response rate Increase by 13% YoY	Increased positive response rate by 1.2% YoY	×	54	
			Company members turnover rate of less than 3 years of joining the company	2.5% (approx. 10 persons)/year	3.0% (12 persons)	△	—	
			Rate of taking annual paid leave	Zero incidence of people taking minimal paid leave Rate of people taking 3-day paid leave: 100%	Zero incidence of people taking minimal paid leave Rate of people taking 3-day paid leave: 96.0%	○	54	
		Safety/Health S	Number of fatal accidents	0	0	○	56	
			Consultation ratio for legal health check/Voluntary health check	100% consultation ratio for health checks in Japan region	100% consultation ratio for health checks	○	56	
			Implementation ratio for legal health check/Voluntary health check	100% implementation ratio for health checks in regions outside Japan	100% implementation ratio for health checks	○	56	
			Lifestyle disease: Ratio of persons with BMI of 25 or above	Target person ratio: 24.7% or less	Target person ratio: 26.4%	△	56	
			Lifestyle disease: Smoking rate	34.4% or less	34.3%	○	56	
	Stress check execution rate		100%	100%	○	—		
	Business partners	The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.	Fair/transparent dealings G S E	Hold briefing on Toyota Boshoku group Supplier CSR Guidelines once a year	Deploy at Supplier Meeting (1/year)	Held in August 2017	○	57
				Ensure suppliers conduct self-assessment	1/year	Held in August 2017	○	57
				Supplier satisfaction	Cases of dishonest whistle-blowing: 0	Cases of dishonest whistle-blowing: 0	○	57
Conduct a self-check and internal audit on purchasing ethics inside Toyota Boshoku (departments related to purchasing and subcontracting)				1/year Cases of serious breach: 0	Held in October 2017 Cases of serious breach: 0	○	57	
Number of violations of antitrust laws				0	0	○	43	
Safety/Health S		Number of significant incidents by non-Toyota Boshoku group workers or members	0	0	○	—		

Together with Customers



Aiming to be a supplier that is trusted and chosen by customers, Toyota Boshoku will make the most of accumulated manufacturing strengths and put them into effect on a global scale in order to improve quality. Our mission is to provide attractive products that move and excite our customers by taking their perspective and standpoint.

Establish global quality assurance system

In order to deliver safe products, thereby inspiring and satisfying customers, we are striving to improve the global quality assurance system for the Toyota Boshoku group on the back of integrated efforts by the Quality Assurance Division and TQM Promotion Department in the quality field.

Plant organisational restructuring that maintains the independence of quality

In order to maintain independence in our quality control function, we have restructured into an organisation with clear roles and responsibilities for manufacturing management, quality control and manufacturing, respectively, so as to enable quality assurance from an independent standpoint. This move has seen us transfer inspectors from manufacturing to quality control in all regions worldwide.

Realising uniform global quality assurance in all products

To realise uniform global quality assurance and continue providing products with a stable level of quality to customers, Toyota Boshoku is working to make sure the same process control methods are put into place worldwide by using auditors for critical processes who are certified internally. In fiscal 2019, we will increase the target processes and develop auditors in each region by expanding and enhancing specialised education.

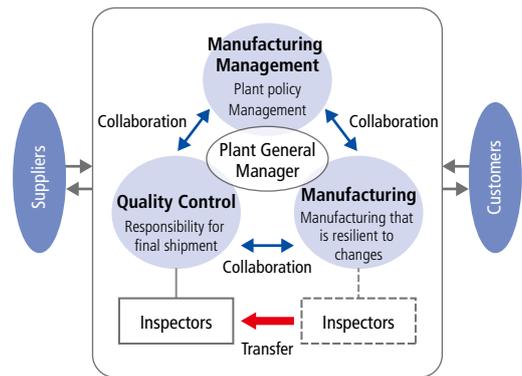
Establish job quality and standardisation to realise sustainable growth

We are reviewing work styles and building systems for work standardisation and self-assessment as a means to raise operational quality.

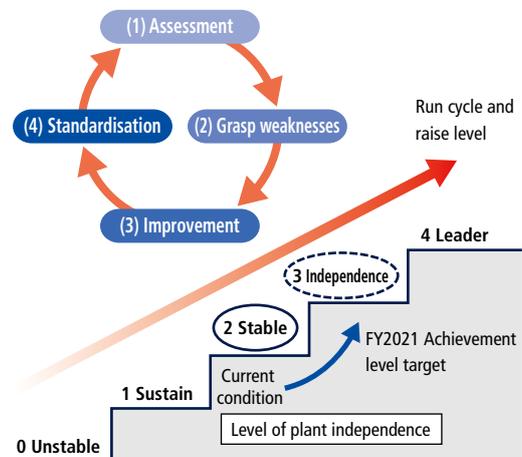
Clarifying weaknesses and making improvements via assessments based on basic plant requirements

Basic plant requirements clarifying plant management are being deployed around the world, with assessments undertaken to improve weaknesses and standardise plant operations. This serves to raise the level of independence at each plant. The Toyota Boshoku group also implements Supplier Process Improvement Activities (SPIA) alongside suppliers in which weaknesses and concerns are shared, countermeasures are promoted and operations are standardised in an effort to increase quality.

■ Plant organisational restructuring that maintains the independence of quality



■ Clarification and improvement of weaknesses via assessments



Enhancing the quality of technical drawings through front loading

The Toyota Boshoku group is striving to prevent issues in quality by reviewing and eliminating problems that can be envisioned in each division from the earliest stage of product development, which involves gathering together members from respective divisions, including design, production engineering, quality assurance, quality control, manufacturing and suppliers, and factoring the findings into design and evaluation standards. In addition, we conduct original market research to analyse usage by customers and temporal changes, which are to be reflected in the design and evaluation standards.

Efforts to achieve quality beyond customers' expectations

Toyota Boshoku is celebrating 100 years in business in 2018. Looking ahead, we will do our best to build a corporate culture that embraces change from the standpoint of the end user through Total Quality Management (TQM) activities as well as nurture human resources while drawing out their creative side, which will support us in our endeavours for the next 100 years.

Fostering a quality-oriented corporate culture and human resources development

The Global Quality Learning Centre (GQLC), established in October 2016 as a place to learn the importance of an end user perspective and quality first, is a facility for listening to customer feedback and experiencing cases of quality issues. Around 19,000 members had visited the centre as of the end of fiscal 2018. The Toyota Boshoku group has begun constructing similar facilities in four regions of the world in fiscal 2019. Behind this endeavour is a willingness to foster a culture of quality based on participation by all members.

Reinforcement and entrenching of TQM activities

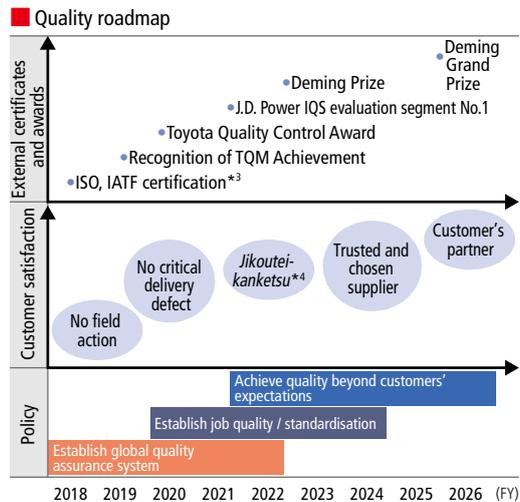
Toyota Boshoku is striving to raise competency with the objective of earning the "Recognition of TQM Achievement" in fiscal 2019 and with the aim of winning the Deming Prize*1 by 2021, which is given to organisations in recognition for the effective implementation of TQM activities, as proof that a supplier is trusted and chosen by customers. In addition, we held the 1st All Toyota Boshoku TQM Meeting in fiscal 2018 to showcase top TQM activities. The meeting served as the perfect platform to share the basic principle and meaning of TQM.

*1 A globally recognised prize relating to TQM introduced by the Union of Japanese Scientists and Engineers (JUSE)

QC Circle activities (small group improvement activities)

The Toyota Boshoku group promotes Quality Control (QC) Circle activities based on the basic principle of TQM and through training and meetings strives to enhance the ability to make improvements and further develop human resources. In 2017, the "Otokogi" Circle of the Sanage Plant and the "Ham Star" Circle of TB Logistics Service Corporation received the Kaoru Ishikawa Award Encouragement Award*2 from JUSE. This significant achievement marks the first time for Toyota Boshoku group companies to receive two such awards in a single year.

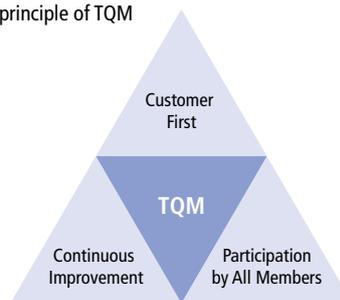
*2 A prize given to the circle that contributes to the proliferation, advancement and vitalisation of QC Circle activities



*3 International Automotive Task Force

*4 All processes in-house

Basic principle of TQM



Meaning of TQM



The Kaoru Ishikawa Award Encouragement Award was won twice in the same year.

Together with Shareholders and Investors

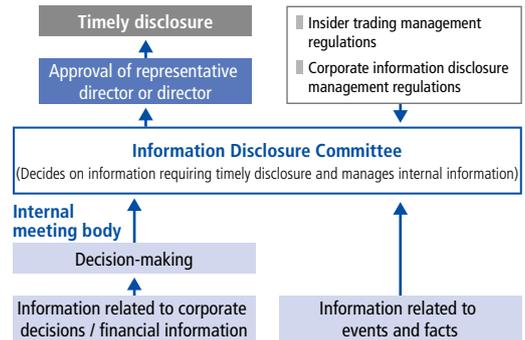
Basic stance

The Toyota Boshoku group actively promotes efforts to disclose information and communicate in an appropriate and timely manner in addition to striving to enhance corporate value so as to earn the trust and support of shareholders and investors.

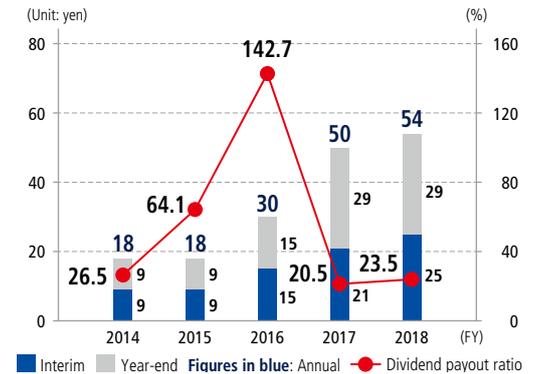
Enhancement of corporate value and reinforcement of information disclosure

The Toyota Boshoku group has stated in our disclosure policy that we are committed to “disclosing information required by shareholders, investors, business partners and local communities in a timely and appropriate manner as well as to carrying out public information-sharing activities that earn the trust of society.” In this sense, we are striving to disclose information in an accurate, timely and fair manner. In order to ensure the appropriate disclosure of information, we strictly manage corporate information and are working actively on disclosure in the Information Disclosure Committee, which is comprised of members from Toyota Boshoku’s External Affairs & Public Relations Division, Accounting & Finance Division, Legal Division and the Corporate Planning Division.

Organisation chart concerning timely disclosure of corporate information



Dividends / Dividend payout ratio



Distribution of profits to shareholders

Business results for fiscal 2018 are shown in the Financial Review (pages 65-77). In continuing to place priority on providing shareholders with long-term stable dividends, annual cash dividends of 54 yen per share were paid for the fiscal year under review.

We aim to increase returns to shareholders in a stable manner, gradually increasing the dividend payout ratio with a target of reaching 30% by fiscal 2021. We will actively invest profit generated through our business activities into growth areas to maximise earnings per share and increase shareholder value.

Key initiatives in fiscal 2018

General Meeting of Shareholders (June 13, 2017)

◎ No. in attendance

306

◎ Voting participation

88.07%



A facility tour in progress



Explaining the Company's initiatives and direction at a financial results briefing (Tokyo)



Individual meeting held overseas

Dialogue with institutional investors and analysts

Total: **363** companies

Individual meetings	168 companies
Financial results briefings	147 companies 210 persons
Facility tours for analysts and institutional investors [Tajimi Technical Center / China (Guangzhou)]	12 companies 13 persons
Conferences with overseas institutional investors	25 companies 29 persons
Overseas roadshows by top management [Hong Kong, Singapore]	11 companies 12 persons

Dialogue with individual investors

Corporate information sessions for individual investors	4 times 257 persons
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Together with Company Members



As stated in our Vision, Toyota Boshoku's desired status is to have "resourceful and multi-talented human resources drawn by the appeal of the Toyota Boshoku group, with members working vibrantly in all regions worldwide." We promote efforts to create a workplace in which all members in the Toyota Boshoku group feel that they are part of "One Team" and can work with pride and dreams, and enjoy their job. The Toyota Boshoku group aims to grow toward our goal of enhancing corporate value together with all company members.

Respect for humanity

The Toyota Boshoku group strives to ensure that the individuality and humanity of our members is respected in accordance with our corporate philosophy to be shared by each member and the TB Way, which express the values and behavioural principles. We do not advocate discrimination, defamation or other such improper conduct based on race, gender, age, nationality, religion, disability, sickness or injury. At the same time, we strictly respect the laws and social regulations of other countries and regions, as well as forbid the use of child or forced labour.

Stable employment with fair and honest evaluations and working conditions

Based on a good labour-management relationship, labour and management constantly exchange opinions through such occasions as the Labour-Management Council and work to fulfil respective responsibilities in an effort to ensure stable employment in which layoffs are duly given careful consideration and to maintain and steadily improve working conditions from a mid- and long-term perspective.

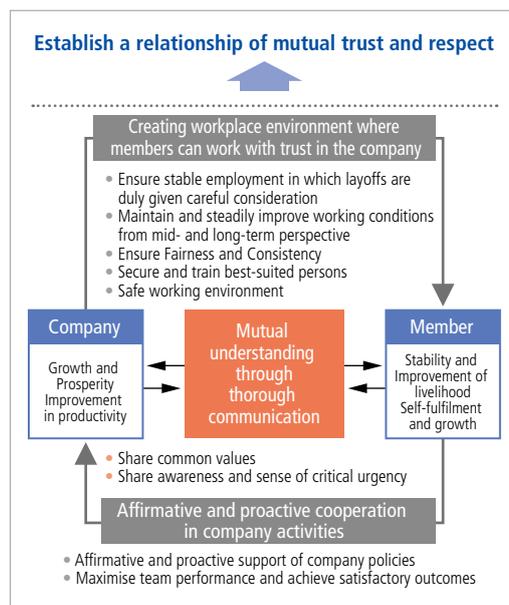
In addition, Toyota Boshoku promotes the development of human resources by conducting evaluations that use standards reflecting our core values and also provides fair and honest conditions for all members.

Promote "innovation of vibrant work style"

"Innovation of vibrant work style" refers to the Toyota Boshoku group's challenge to reform the organisation and culture. Our aim is to create a workplace where members can work happily and vibrantly, which in turn stimulates autonomous *kaizen*, particularly respecting member's motivation and time. Specifically, we have introduced a flextime without core time and recommend a morning-oriented work style with a focus on increasing the efficiency of existing operations by eliminating or cutting certain areas. High-quality communication between supervisors and subordinates helps in this regard. This has served to steadily enhance member satisfaction measuring the effectiveness of the activity.

From fiscal 2019, Toyota Boshoku will be looking to establish an environment for realising more efficient, highly creative work styles. This will include shifting to a paperless work space, utilising mobile tools, making use of shared offices and introducing a work-from-home scheme based on the concept of connecting with everyone, anytime and anywhere.

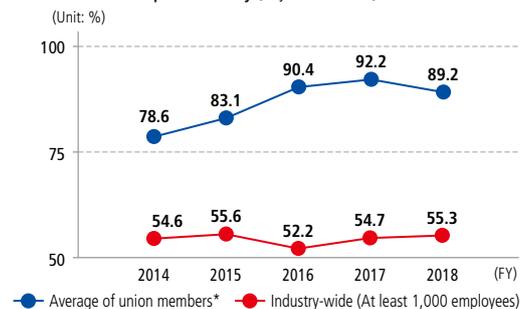
Basic concept of Human Resources Management (HRM)



Company members' satisfaction: Positive response rate (KPI on vibrant work environment) [Toyota Boshoku]

Fiscal year	2014	2015	2016	2017	2018
Company members' satisfaction:	58.4	59.4	61.5	65.0	66.0
Positive response rate (%)					

Use of annual paid holiday [Toyota Boshoku]



* Excluding members absent for long periods and members on overseas assignment
Source: Industry-wide data based on the Ministry of Health, Labour and Welfare's General Survey on Working Conditions

Introduction of Global HR Platform

With the aim of consolidating and maximising the capabilities of the individual and organisation at the global level, the Toyota Boshoku group is working to create and share a Global HR Platform based on the Principles of Toyoda, our corporate philosophy and the TB Way, which form the identity of the Toyota Boshoku group. The Global HR Platform, established in fiscal 2018, has been applied by 1,301 supervisory and management members of the Toyota Boshoku group since April 2018. The platform seeks to integrate and make the most of the competencies unique to Japan and positions as the global standard in order to further promote human resources development while maintaining fairness in compensation.

Promoting diversity

The Toyota Boshoku group is working to establish a reward system befitting respective roles and contributions that respects diverse career types and work styles (independent choice) as well as systems and an environment in which anyone can take on challenges and roles at any time irrespective of nationality, age, gender or physical/mental disability.

Optimising and promoting the advancement of human resources from a global perspective

We are promoting globalisation within Toyota Boshoku by accepting trainees from regions outside Japan and embracing movement across regions. We also actively accept internships from universities overseas.

Promoting active roles for female members

To ensure the active recruitment of female members and encourage females to play more active roles, Toyota Boshoku is striving to establish a workplace environment and framework that is both satisfying and motivating. We are doing this by changing the awareness of both female members and their supervisors as well as by providing the opportunity for female members to demonstrate their skills and supporting their career advancement.

Creating people-friendly processes and environments

Efforts are being made to create people-friendly processes and environments so that members who have reached retirement age continue to live and work with purpose, and can display and pass on their accumulated experience and skills, and so that female members and members with disabilities can work easily and vibrantly.

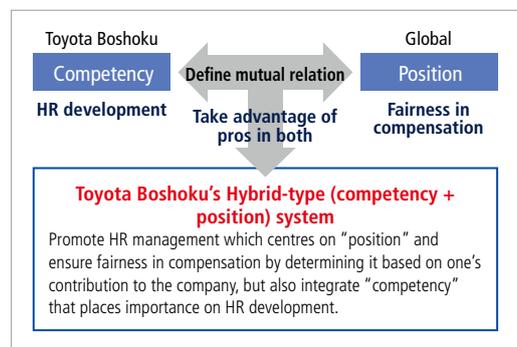
Specialised skills related education

The Toyota Boshoku group strives to enhance and pass on manufacturing skills globally in order to raise workplace abilities

Application of Global HR Platform



HR standards in promoting human resources development and management



Users of childcare leave system and shortened work hour system [Toyota Boshoku]

Fiscal year	2014	2015	2016	2017	2018
Childcare leave system (persons)	99(2)	127(4)	149(9)	169(6)	197(8)
Shortened work hour system (persons)	83	72	98	111	142

Figures in parentheses () represent the number of males out of the stated total using the systems.

Reemployment of retirees [Toyota Boshoku]

Fiscal year	2014	2015	2016	2017	2018
Reemployment of retirees (persons)	133	140	163	193	219

Employment rate of persons with disabilities [Toyota Boshoku]

Fiscal year	2014	2015	2016	2017	2018
Employment rate of persons with disabilities (%)	1.85	1.89	1.90	2.04	2.19

Creating people-friendly processes



China GUANGZHOU INTEX AUTO PARTS

China: GUANGZHOU INTEX AUTO PARTS

Process exclusively for women expecting a child
Introduced a sewing process for members expecting a child in 2012 in which they can sit down to operate the sewing machine.

Japan: Toyohashi Manufacturing Division

Shortened work hour system
Introduced a shortened work hour system enabling skilled females to work freely while taking care of their children.

with the aim of fostering human resources who can achieve the highest levels of safety, quality and delivery.

In fiscal 2019, we continue to foster exceptional supervisors, establish excellent manufacturing skills, strengthen maintenance skills, develop members who always work safely and nurture core young human resources. This fiscal year we will start Plant Management Requirement (PMR) training which is structured around a philosophy of plant management based on basic plant requirements. The PMR training will cover seven functional areas (safety, quality, production, cost, personnel, production preparation and environment) with the aim of exposing weaknesses in the workplace, rapidly detecting problems, sharing information and providing swift problem resolution to enable strong workplace management.

Toyota Boshoku Technical Skills Academy

Toyota Boshoku promotes the development of young members in mind, body and spirit who will be able to operate on a global level and will become core members of the organisation. Every year, we nurture members who can play active roles in the workplace by providing a variety of experiences such as training in Canada and activities with other academies. The academy has accepted one young member from Taiwan each year since fiscal 2017.

Gold medal in debut at WorldSkills Competition 2017

Toyota Boshoku fielded entrants for the first time at the 44th WorldSkills Competition held in the United Arab Emirates in October 2017. Two members from the Toyota Boshoku Technical Skills Academy won the gold medal in the mechatronics category. At this year's event there were competitors from 37 countries and regions. Toyota Boshoku continues to foster young engineers and enhance their skills through efforts such as participation in the WorldSkills Competition.



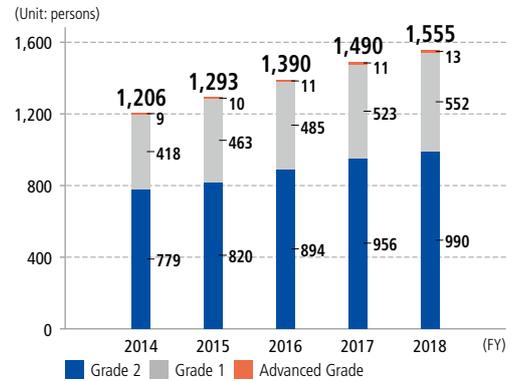
Competing in skills with people from all over the world

Promoting a global safety and health culture

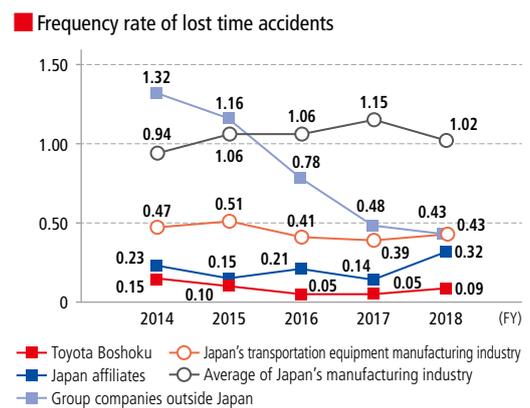
The Toyota Boshoku group implements safety and health activities as labour-management cooperative efforts based on a Basic Safety and Health policy **Web** in order to establish a corporate culture that places a priority on safety and health at work. The Toyota Boshoku group works globally to enhance safety and health at work through activities based on an Occupational Safety & Health Management System (OSHMS).

Toyota Boshoku was recognised two years in a row as an Excellent Enterprise of Health and Productivity Management-White 500 by the Ministry of Economy, Trade and Industry for conducting medical checkups for all company members, implementing activities to prevent lifestyle-related diseases and lowering the smoking rate. We will continue helping to enhance the health of body and mind by making plans that reflect the opinions of members in such areas as promoting various movements, dietary habits and mental health, and providing special guidance for obese persons outside the company.

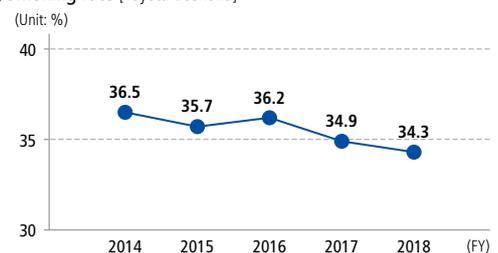
Total number of people qualified with National Trade Skill Testing & Certification



Frequency rate of lost time accidents



Smoking rate [Toyota Boshoku]



Together with Suppliers

Basic stance

Using fair and equitable procedures, the Toyota Boshoku group purchases raw materials, parts and equipment from a large number of suppliers throughout the world based on our basic purchasing policy [Web](#). Together, we will grow by putting into practice the spirit of a win-win relationship while fulfilling our social responsibilities in the supply chain with the aim of enhancing corporate value.

Expanding CSR-related procurement and respecting human rights

Toyota Boshoku requests the following for its basic supplier agreements: (1) Respect of human rights and building awareness of social responsibility in the supply chain; (2) Prohibiting bribery; (3) Ensuring fair transactions; and (4) Removing antisocial forces. Furthermore, we are working to strengthen CSR throughout the supply chain. This includes complying with laws and regulations pertaining to antitrust laws, subcontracting laws, labour laws and environmental laws in Japan as well as similar laws and regulations in respective countries and regions.

In fiscal 2018, we asked 446 core suppliers in Japan to complete a self-assessment on CSR for the first time. We then provided feedback on the results after clarifying the strengths and weaknesses of each company. In fiscal 2019, we will expand this initiative globally so we can enable CSR-based procurement throughout the supply chain. In addition, we continue to respond to regulatory issues concerning conflict minerals* and are conducting surveys by going back along secondary and tertiary suppliers. At Toyota Boshoku, we conducted a self-check on purchasing ethics and an internal audit for all departments related to orders and confirmed that there were no cases of serious breaches. There were also no reports of dishonesty in a survey regarding supplier satisfaction.

* Conflict minerals are minerals extracted in a conflict zone that are sold to perpetuate the fighting.

Promotion of green purchasing

The Toyota Boshoku group is strengthening our response to legal compliance related to various environmental regulations in respective countries and regions based on our Green Purchasing Guidelines [Web](#), and working actively to reduce environmental burden. We also require our suppliers to establish environmental management systems (EMS) based on the acquisition of ISO certification aimed at creating a sustainable society. In fiscal 2018, we expanded the scope of the requirement.

Global Annual Supplier Meeting

In April 2018, we held the Toyota Boshoku Global Annual Supplier Meeting, which was attended by 168 supplier companies from Japan, The Americas, Asia & Oceania, China and Europe & Africa. After explaining our global purchasing policy, we presented awards to 21 companies for their outstanding contribution to the company. We will continue with such activities again in fiscal 2019 together with suppliers to earn the trust of all stakeholders and drive mutual growth.



A workshop on Supplier CSR Guidelines and Green Purchasing Guidelines

Self-assessment on CSR

100% response rate from 446 companies

ISO 14001 certification acquisition

Fiscal year	2014	2015	2016	2017	2018
Supplier companies	87	87	87	90	310
Certified companies	86	87	87	90	282
Certification rate (%)	99	100	100	100	91



Conveying our philosophy on quality



Deepening ties with suppliers

Social Contribution



Based on our corporate philosophy in which we will promote corporate growth while fulfilling our responsibilities as a good corporate citizen, we will strive to enhance corporate value and contribute to social value by distributing economic value to society.

Three core areas of our social contribution activities

The Toyota Boshoku group strives to make a contribution to society, with active member participation as the driving force behind our activities in three core areas, namely activities with local communities, environmental activities and fostering youth through education, aimed at meeting the expectations of stakeholders.

Three core areas

Activities with local communities

We work to vitalise local economies with activities that contribute to the resolution of social issues.

Environmental activities

We contribute to environmental preservation by taking a serious approach to such issues as global warming and waste generation.

Foster youth through education

We support the wholesome growth of young people who will lead the next generation.

Highlights of initiatives in fiscal 2018

Participated in reconstruction project for an elementary school damaged in a major earthquake in Nepal

Toyota Boshoku Managers' Association has supported a reconstruction project implemented by the Public Interest Incorporated Foundation Plan International Japan for an elementary school damaged in a major earthquake in Nepal. The earthquake struck mid-western Nepal on April 25, 2015 and had a magnitude of 7.8, causing significant damage to Nepal and its neighbouring countries. Although the original classrooms were not particularly comfortable for the small children, the new building is expected to provide a much better learning environment for all of the children that will provide peace of mind to parents.



Children express their happiness upon completion of the new school building.

Reforestation at a global level

The Toyota Boshoku group is conducting reforestation activities in line with local needs in the respective regions of The Americas, Asia & Oceania, China, Europe & Africa and Japan. In fiscal 2018, the Toyota Boshoku group undertook forest restoration activities in The Americas and the Asia & Oceania region, actions to prevent desertification in China, forest development activities around factories in Europe & Africa, and tree-planting and development activities at an Eco-Forest in Japan. Approximately 380,000 trees have been planted to date with a target of 500,000 to be planted by 2020. Going forward, the Toyota Boshoku group will continue working to prevent global warming and protect ecosystems through reforestation and tree-planting activities together with local citizens.

Tree-planting targets to 2020



Aiming for a Sustainable Global Environment for Our Children

Our environmental initiatives are based on the idea of corporate growth while fulfilling our responsibility in harmony with society, as stated in our Mid-Term Business Plan for Implementation. The Toyota Boshoku group formulated its 2050 Environmental Vision based on the belief that it is necessary to take a long-term perspective toward environmental issues and tackle them at an even higher level. The group has established six Stretch Environmental Goals, including the challenge of achieving zero CO₂ emissions in business activities. At the same time, we are working on environmental initiatives as a group based on our 2020 Environmental Action Plan.



2050 Environmental Vision

Toyota Boshoku has established six Stretch Environmental Goals to be achieved in order to realise the 2050 Environmental Vision and will undertake activities based on the 2020 Environmental Action Plan as a medium-term plan.

Vision

We will work together with all stakeholders with the aim of creating a sustainable global environment where children can lead their lives with a smile.

Toyota Boshoku's

6 Stretch

Environmental Goals to 2050

Climate Change

- 

1 Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group **▶P61**
- 

2 Challenge of achieving zero CO₂ emissions in the product life cycle **▶P61**

Resource Depletion

- 

4 Challenge of minimising natural resources usage **▶P62**
- 

5 Challenge of minimising wastes produced by the Toyota Boshoku group **▶P63**

Water Scarcity

- 

3 Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling **▶P62**

Biodiversity Crisis

- 

6 Challenge of planting 1.32 million trees as part of reforestation activities **▶P63**

Environmental Highlights

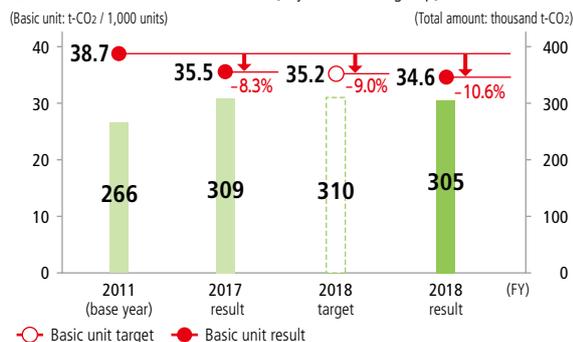
The 2020 Environmental Action Plan was initiated in fiscal 2017, and in line with this, the Toyota Boshoku group revised our rationale on basic units. We switched to using production volume instead of sales, which are susceptible to external forces, for the denominator of intensity performance metrics (basic unit).

We also changed our target basic unit for CO₂ from the conventional 1% per year to the more

stringent 2% per year with such higher targets aimed at achieving the Toyota Boshoku 2050 Environmental Vision.

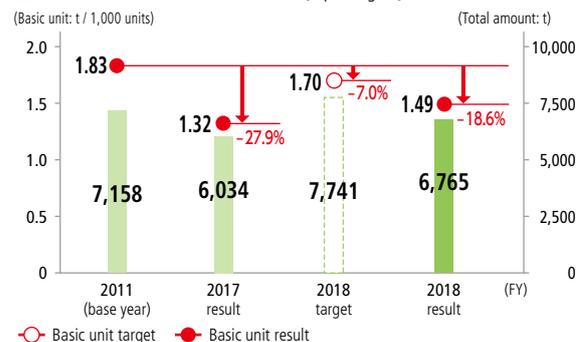
	Unit	FY2012-2016	FY2017-2021
		t-CO ₂ /net sales	t-CO ₂ /1,000 units
CO ₂	Target	-1%/yr	-2%/yr
Amount of waste	Unit	t/net sales	t/1,000 units
	Target	-1%/yr	-1%/yr

■ CO₂ emissions and basic unit [Toyota Boshoku group]



*CO₂ emission data has been certified by a third party on the Company's website. Please refer to the Independent Assurance Report on our website.

■ Amount of waste and basic unit [Japan region]



Challenge of achieving zero CO₂ emissions

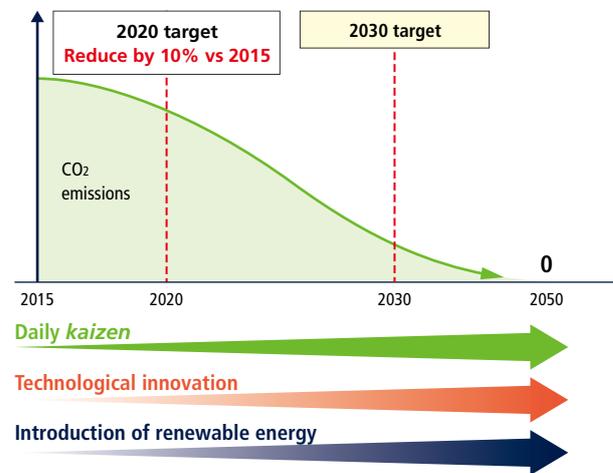


Basic approach

The Toyota Boshoku group takes on the challenge of “achieving zero CO₂ emissions from all of our plants by 2050.” We will strive to reduce CO₂ emissions significantly through the development of innovative production technology, the technological development of products and materials, the improvement of plants and the utilisation of renewable / next generation energy.

Toward zero CO₂ emissions

Toyota Boshoku has set a 2020 target of reducing CO₂ emissions by 10% compared with 2015 as a stepping stone toward realising zero CO₂ emissions by 2050, and is pushing ahead with activities to make this a reality. Efforts focus on developing new technologies in consideration of efficient use of energy from the development and design stage, which includes using new technologies, methods and materials development in addition to daily *kaizen* at plants in such areas as energy conservation. Besides this, we are making fundamental reforms that go beyond previous domains of improvement, such as the use of fuel cells, hydrogen and other forms of renewable energy. We are also preparing scenarios to reduce CO₂ by 2030 that focus on both the medium and long term in addition to our 2020 target. This target also will be deployed to respective business entities going forward. Giving shape to plans such as this helps to strengthen activities to reduce CO₂ on a group-wide basis.



Challenge of achieving zero CO₂ emissions in the product life cycle



Basic approach

Instead of focusing only on the reduction of CO₂ emissions during our auto parts production process, the Toyota Boshoku group takes on the challenge of “achieving zero CO₂ emissions” in all stages of the product life cycle from production to use, disposal and recycling of products.

High-impact resistant plastic used in door components (door trims)

Door trim using high-impact resistant plastic, a resin material with world-class impact resistance, has been employed in the new model Crown released in June 2018. The use of foam moulding technology has enabled a reduction of around 20% in weight compared with conventional base material while maintaining advanced impact resistance.



Developed products for next-generation vehicles

In addition to the development and production of stack manifolds and separators, which are all fuel cell related products, and motor core constituent parts for hybrid vehicles, in 2018 Toyota Boshoku has newly developed a rechargeable lithium-ion battery that applies precision stamping technology and microfiber technology, two core technologies of the Company. We will continue developing products that anticipate needs by making products more efficient, smaller and lighter.

Challenge of achieving zero wastewater in production processes by water recycling



Basic approach

The Toyota Boshoku group recycles wastewater generated in the production process and is developing water-less processes with the aim of achieving zero wastewater. Efforts are also being made to reduce water consumption by using rainwater as part of the water supply. The Company contributes to energy conservation through cooling and circulating water purification systems using proprietary filtration technologies.

Development of water environment ecology technology systems (Weets) for plants worldwide

Toyota Boshoku develops cooling and circulating water purification systems for moulds and cooling towers. These systems serve to significantly reduce water consumption by recycling water used to cool and clean equipment. In addition, a newly developed water conditioner can prevent and remove scale that adheres to metal cooling pipes. There are high expectations for use in conserving energy and water since the systems can cool inside moulds and dies in a uniform manner and reduce mould yield caused by insufficient cooling while rendering unnecessary the cleaning of the inside of the pipes. These systems have been introduced at 13 Toyota Boshoku group sites already with plans to systematically introduce them to more locations going forward. We are also looking at commercialising the systems for general sale.



Cooling and circulating water purification systems for moulds and cooling towers



■ Removing scale from inside metal cooling pipes



Challenge of minimising natural resources usage



Basic approach

The Toyota Boshoku group is pushing ahead with the promotion of readily disassemblable and recyclable design, the development of technologies for material recycling and the replacement of materials with a range of plant-derived materials in an effort to help curb the depletion of fossil fuels and minerals.

Development and transition of products using plant-derived materials

Kenaf is an annual grass that grows quickly and has high CO₂ absorption capabilities. The Toyota Boshoku group turned its attention to kenaf early on and has been working to develop products using kenaf since the latter part of the 1990s. Kenaf fibres were first used in the base material for door trim for the Celsior in 2000. Since

then, it has been employed in more models and used for different applications. In 2012, it was employed in an air cleaner case, which is an engine-related part. In addition, adding in microcapsules to the conventional kenaf base material led to a light weight that is world class and the development of high rigidity natural fibre base material. It has been used in the base material for the door trim of the LEXUS LS launched into market in 2017.

<p>■ 2000 Kenaf + polypropylene Seat backboard using kenaf base material</p>	▶	<p>■ 2003 Kenaf + polylactic acid Spare tyre cover using 100% plant-derived material</p>	▶	<p>■ 2012 Kenaf + polypropylene Door trim and seat backboard using Simultaneous Back Injection (SBI) method</p>	▶	<p>Kenaf + polypropylene Air cleaner case using injection moulding method</p>	▶	<p>■ 2017 Kenaf + polypropylene + thermally expandable microcapsule Kenaf base material for moulded foam door trims</p>

Challenge of minimising wastes produced



Basic approach

The Toyota Boshoku group verifies activities to reduce waste at each plant and deploys best practices across the organisation such as reducing the defect rate and enhancing the recycling rate for components. We are also working on design and production preparations that realise a reduction in material loss rate.

Reducing sludge waste

In the bumper painting process at the Gifu Plant, wastewater containing paint scum is kept in a water tank during the painting process and the scum is removed using a pump. Previously, a chemical agent was used once a year to discard paint scum that couldn't be removed before it turned to sludge, but this method was deemed

inefficient. Accordingly, a new system was introduced using a pump to supply fine air bubbles to the water tank so that leftover paint scum floats to the surface and can be effectively separated. As a result, the recovery rate of paint scum is expected to increase to 75%, contributing to a reduction in sludge waste.

Challenge of planting 1.32 million trees as part of reforestation activities

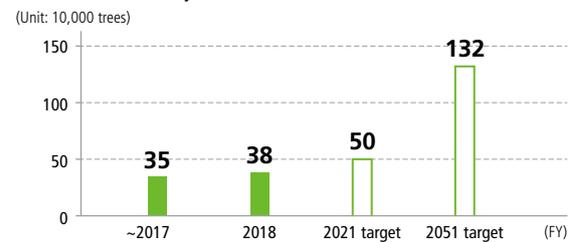


Basic approach

The Toyota Boshoku group is working to protect biodiversity with a focus on reforestation based on the Toyota Boshoku Basic Policy of Biodiversity [Web](#). Since fiscal 2016, the Company has participated in the Green Wave Project*, an activity being implemented by the Toyota Group. The sphere of activities of the project has been expanded to include group companies, local communities and government in an effort to promote reforestation.

* Activities in harmony with nature that link communities such as reforestation at a factory and preservation of the surrounding environment

Number of trees by 2050



Toyota Boshoku's reforestation activities

The Toyota Boshoku group's reforestation activities have spread around the world. Tree-planting efforts continued in fiscal 2018 in each region. As a result, a total of 30,327 trees were planted in fiscal 2018, far exceeding the target of 16,000.

Participation in Green Wave Project

With the aim of creating a society that is in harmony with nature, Toyota Boshoku has been taking part in the Green Wave Project being promoted by the Toyota Group since fiscal 2016. In fiscal 2018, we undertook waterway protection and forest management activities to maintain a bamboo grove along the Yahagi River (Toyota-shi, Aichi). In addition to activities being implemented by Toyota Boshoku, we will continue to actively participate in the activities of the Toyota Group in order to widen the scope of our biodiversity protection activities.



Toyota Boshoku consistently undertakes tree-planting activities in Inner Mongolia



Some 5,000 young trees were planted in India in conjunction with a local NGO.



Creating an environment in which it is easier for animals to live by thinning a bamboo grove covering the riverbed area

Environmental Management

Basic approach

The Toyota Boshoku group implements environmental management activities on an on-going basis that include convening sessions for the environmental committee in respective regions to confirm environmental initiatives, verifying cases of improvement via *genchi-genbutsu* (Go, see & study) and actively implementing cross-organisational deployment best practices. In addition, we are providing education to people inside and outside the organisation focused on environmental protection.

ISO 14001: 2015 certification

All business entities in Japan completed the transition to ISO 14001:2015, the new version of the standard, in fiscal 2018. Business entities in regions outside Japan yet to make the shift will promote activities to complete the process in fiscal 2019.

ISO 14001:2015 certification activities

	Japan	The Americas	Asia & Oceania	China	Europe & Africa
Completed transition in fiscal 2017 (companies)	1	1	2	—	—
Completed transition in fiscal 2018 (companies)	15	4	8	11	6
Sub total (companies)	16/16*	5/11	10/13	11/13	6/8
Plan to complete transition in fiscal 2019 (companies)	—	6	3	2	2

*Completed transition/plan to transition

Environmental education

Toyota Boshoku has implemented a programme since fiscal 2014 that involves visiting local elementary schools to introduce the environmental activities being undertaken by Toyota Boshoku to children and get them to think about environmental conservation activities they could undertake themselves. We held discussions on three topics in fiscal 2018, namely global warming, reducing waste and conserving water resources, to increase understanding of the importance of environmental activities and deepen the children's learning.



The children showed a great deal of interest in an experiment to clean water using chemicals.

Initiatives with local communities

Toyota Boshoku has concluded an agreement to promote environmental preservation with Toyota-shi (Aichi), the home of one of our factories. The agreement includes stricter target figures than legal standards for various kinds of waste emitted from factories, which have been built into business activities. Measures to protect water quality being promoted at the Sanage Plant as part of these efforts have been highly acclaimed, with the activities introduced in a guidebook to eco-friendly factories released by Toyota-shi in July 2018. Going forward, we will aim to realise a sustainable earth together with the local community and all other stakeholders.



The guidebook introduces in an easy-to-understand manner the environmental learning facilities and eco-friendly factories in the city, including initiatives at Toyota Boshoku's Sanage Plant.

Financial Review

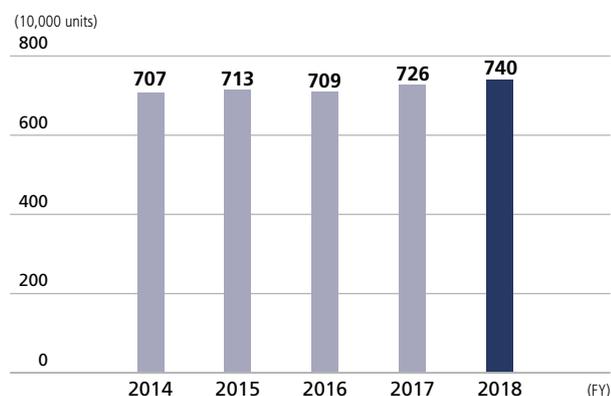
Overview of fiscal 2018 (year ended March 31, 2018)

The world economy in fiscal 2018 was characterised by rising uncertainties that included protectionist policies in some regions and political movements in Europe. At the same time, there were numerous visible geopolitical risks that included escalating political tensions in Asia and widening conflicts in part of western Asia. Despite these challenges, the world economy realised a better-than-expected improvement in 2017. Meanwhile, the Japanese economy sustained an export-driven expansion and achieved gradual but steady progress toward breaking free from deflation, while the volume of Japan's vehicle production increased 5.2% over 2016 to approximately 9.7 million vehicles.

Seat production volume

The Toyota Boshoku group's total seat production volume on a consolidated basis rose 130,000 units from the previous fiscal year to 7.4 million seats. By geographic region, in Japan despite the launch of new models and increased production of SUVs, seat production volume amounted to 3.15 million seats, virtually the same level as in fiscal 2017, reflecting decreased production of medium- and compact-class vehicles. In The Americas, even though production volume increased in South America, total seat production volume declined 20,000 units from fiscal 2017 owing to the end of production of some vehicle models and decreased production in North America. In Asia & Oceania, despite lower production in Oceania, seat production rose 10,000 units from the previous fiscal year on the back of increased production, mainly of compact cars in China. In Europe & Africa, seat production rose 150,000 units from fiscal 2017 due to increased production of recently launched new models.

Seat production volume

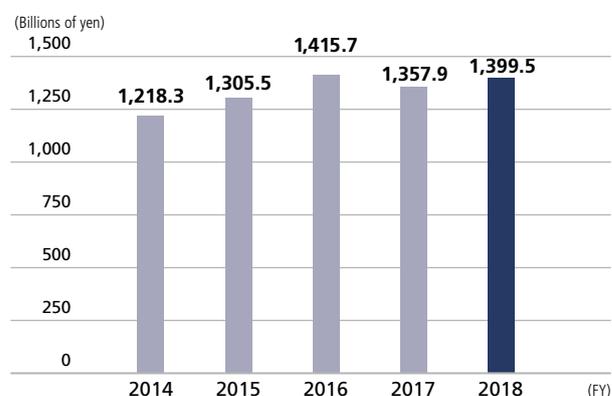


Profits and losses

Net sales

Net sales increased 41.6 billion yen (3.1%) from fiscal 2017 to 1,399.5 billion yen due to such factors as increased production in Europe & Africa.

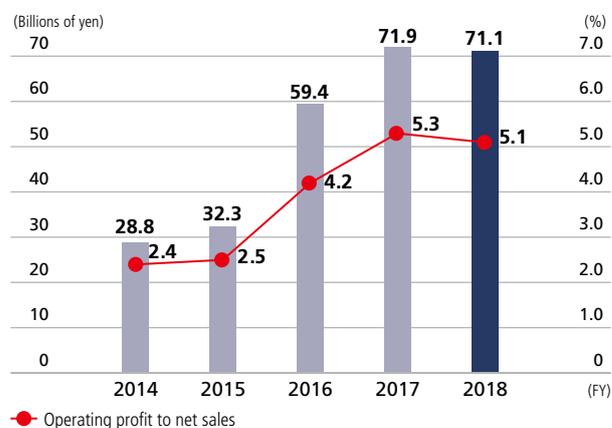
Net sales



Operating profit

Despite such income-increasing factors as the impact of higher production and the implementation of rationalisation measures, operating profit decreased 0.7 billion yen (1.0%) from fiscal 2017 to 71.1 billion yen due to such income-reducing factors as the impact of higher overhead costs.

Operating profit / Operating profit to net sales



● Operating profit to net sales

Web Securities Report (Japanese only)
<https://www.toyota-boshoku.com/jp/company/library/finance/>
 Financial results briefing materials
<https://www.toyota-boshoku.com/global/ir/finance/>

Non-operating income (expenses)

Non-operating income decreased 1.8 billion yen (18.0%) from fiscal 2017 to 8.4 billion yen due to such factors as a decline in foreign exchange gains.

Non-operating expenses increased 1.7 billion yen (34.9%) from fiscal 2017 to 6.7 billion yen due to such factors as the recording of a loss on valuation of derivatives.

As a result, ordinary profit amounted to 72.8 billion yen and ordinary profit to net sales was 5.2%.

Income taxes and Income taxes–deferred

Income taxes and Income taxes–deferred decreased 2.8 billion yen (11.3%) from fiscal 2017 to 22.3 billion yen. The ratio of profit before income taxes decreased from 31.8% in fiscal 2017 to 30.6%.

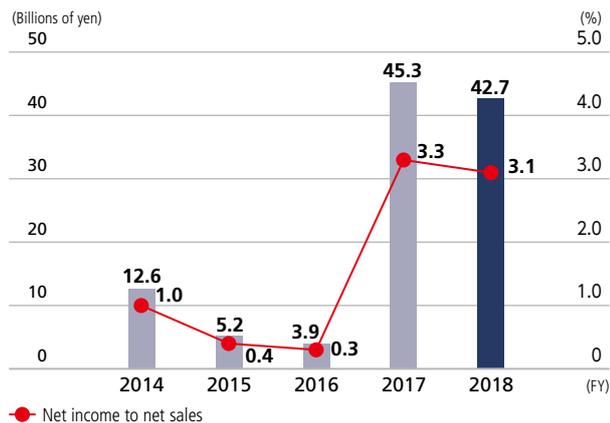
Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased 0.7 billion yen (8.9%) from fiscal 2017 to 7.8 billion yen due mainly to decreases in profits of consolidated subsidiaries in Asia & Oceania and North, Central & South America.

Profit attributable to owners of parent

Profit attributable to owners of parent decreased 2.5 billion yen from fiscal 2017 to 42.7 billion yen and earnings per share amounted to 230.27 yen.

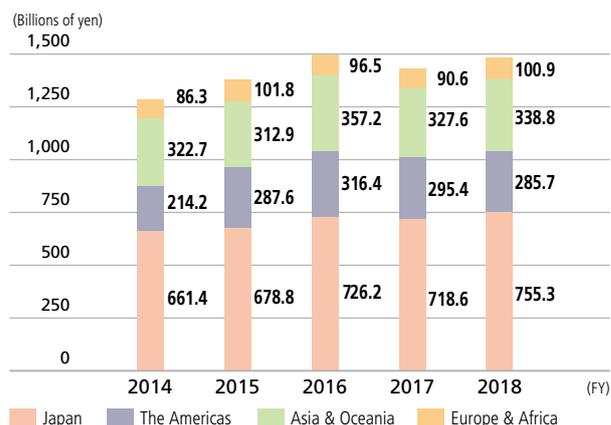
■ Profit attributable to owners of parent / Net income to net sales



Net sales and operating profit by geographic region

Net sales in Japan increased 36.7 billion yen, reflecting an improvement in value provided due to the effect of new products and added specifications. Despite the profit-increasing impact of the rise in net sales, operating profit in Japan declined 3.8 billion yen due to factors such as a rise in labour costs and overhead costs resulting from new product development and the promotion of a future-oriented action plan. In The Americas, despite higher sales in South America accompanying an increase in production volume, net sales declined 9.6 billion yen due to decreased production along with the end of production of some vehicle models in North America. Operating profit declined 1.8 billion yen due to the impact of decreased production and production preparation costs. In Asia & Oceania, despite the impact mainly from the end of production in Australia, net sales increased 11.2 billion yen due to the impact of currency exchange rates. Despite this impact of currency exchange rates, operating profit declined 0.7 billion yen due to such factors as an increase in the proportion of compact cars in China. In Europe & Africa, despite the sales-reducing impact of business restructuring in Europe, net sales increased 10.2 billion yen due to the production-increasing effects of the launch of new models. Operating profit increased 5.8 billion yen due to the reorganisation of unprofitable businesses and the impact of increased production.

■ Net sales by geographic region



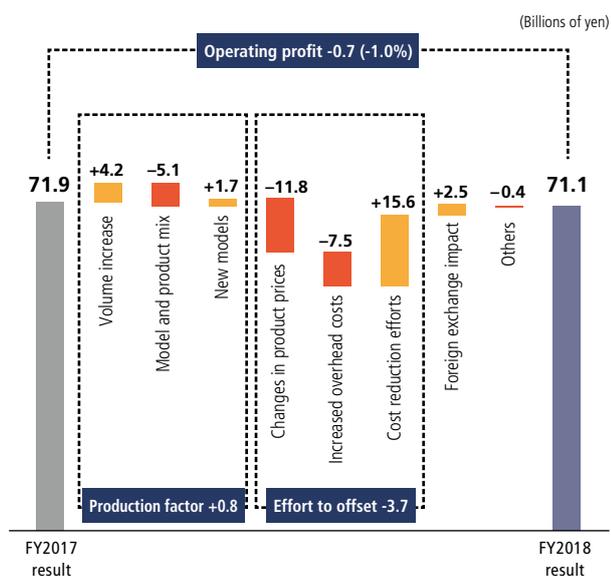
* Asia & Oceania includes China.
 **Adjusted amounts for transactions among regions are not included.

Financial Review

Factors underlying changes in operating profit

Versus operating profit of 71.9 billion yen recorded in fiscal 2017, the impact of changes in production had a 0.8 billion yen profit-increasing effect in fiscal 2018. This included the profit-increasing effects of higher production in China and Europe and a model and product mix change in Japan. On the other hand, the Toyota Boshoku group secured a higher fiscal 2018 budget to “strengthen our competitive advantage and management foundation” compared with the fiscal 2017 budget and made rationalisation efforts to absorb the impact of profit-decreasing factors such as product price fluctuations, as well as further strengthened base earnings power. As a result, although operating profit declined 0.7 billion yen, we attained an operating profit to net sales exceeding 5% for the second consecutive fiscal year.

■ Factors underlying changes in operating profit



Cash flow

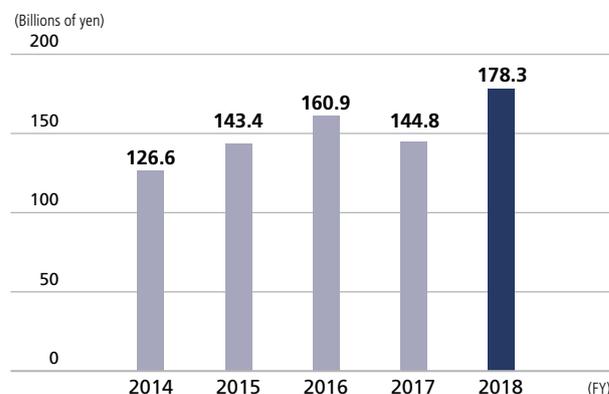
Cash and cash equivalents at end of period on a consolidated basis in fiscal 2018 increased 33.4 billion yen (23.1%) from fiscal 2017 to 178.3 billion yen.

Net cash provided by operating activities amounted to 86.1 billion yen. This was due mainly to such cash-increasing factors as profit before income taxes of 72.8 billion yen and depreciation of 34.7 billion yen despite such cash-decreasing factors as income taxes paid of 15.9 billion yen and an increase in notes and accounts receivable – trade of 14.4 billion yen.

Net cash used in investing activities was 51.7 billion yen. This was due mainly to such cash outflows as purchase of property, plant and equipment of 46.0 billion yen and purchase of investment securities of 5.6 billion yen.

Net cash used in financing activities was 3.5 billion yen. Despite such cash-increasing factors as proceeds from issuance of bonds of 30.0 billion yen, cash decreased due to a net decrease in short-term loans payable of 15.9 billion yen, cash dividends paid of 10.0 billion yen and dividends paid to non-controlling interests of 7.0 billion yen.

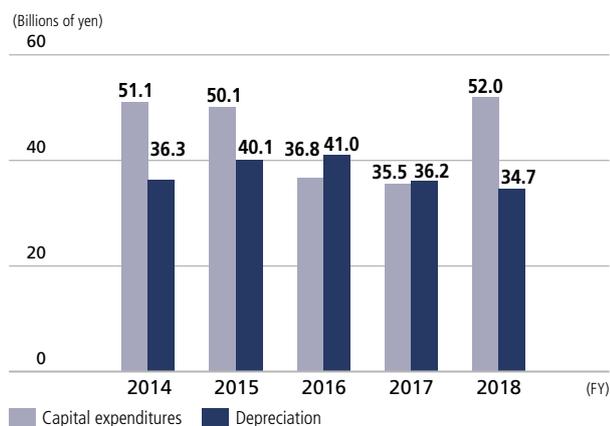
■ Cash and cash equivalents at end of period



Overview of capital expenditures

In fiscal 2018, total capital expenditures amounted to 52.0 billion yen and these investments were concentrated on measures for new products and rationalising and upgrading production facilities. These consisted mainly of capital expenditures in Japan. Capital expenditures in Japan amounted to 28.9 billion yen and were for measures for new products, rationalising and upgrading production facilities and establishing new information systems. Capital expenditures in The Americas amounted to 10.2 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities. Capital expenditures in Asia & Oceania amounted to 9.6 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities. Capital expenditures in Europe & Africa amounted to 3.2 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities.

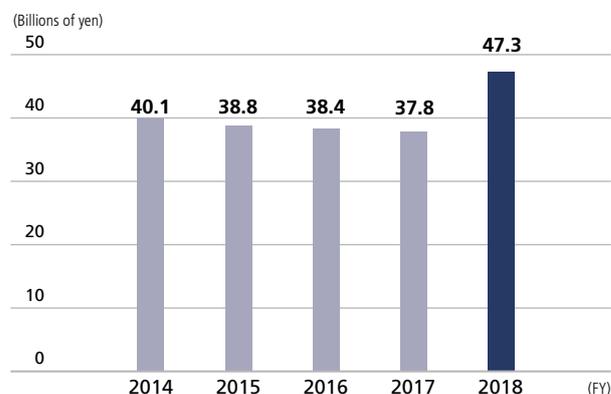
■ Capital expenditures / Depreciation



R&D

The Toyota Boshoku group anticipates the ongoing sophistication and diversification of customer needs and strives to develop appealing technologies and products unrivalled by its competitors while further enhancing its core technologies. Additionally, we are building an optimal development system across the entire group that is focused on global markets through Regional Management & Collaboration Hubs (RM&CH) that carry out product development based on the needs of each respective region. Furthermore, we will proceed with strengthening our competitiveness by carrying out thoroughgoing activities to realise high quality at reasonable prices to ensure we can respond to the sharp expansion of emerging country markets. In fiscal 2018, R&D expenses amounted to 47.3 billion yen.

■ R&D expenses



Business and other risks

Risks such as the following could have an impact on the Toyota Boshoku group's business results, stock price, financial condition and other areas.

- (1) Economic conditions, etc.
- (2) Dependence on particular/certain customers
- (3) Latent risks in undertaking international activities or overseas business expansion
- (4) Exchange rate fluctuations
- (5) Price competition
- (6) Dependence on raw materials and components supply sources
- (7) New product development capabilities
- (8) Intellectual property rights
- (9) Product defects
- (10) Impact of disasters or power blackouts, etc.
- (11) Retirement benefit obligations

The above risks could cause unexpected events and lead to problems in executing production activities or other business activities. There is a possibility these events could have an adverse impact on the Toyota Boshoku group's business results and financial condition.

Financial Review

Outlook for fiscal 2019*1

In fiscal 2019, although we expect to maintain our earnings power by raising product appeal and added value, we forecast that sales will increase but profits will decline due to proactive upfront investments for future growth in accordance with the 2020 Management Plan.

■ Fiscal 2019 results forecast

	FY2018 result	FY2019 forecast
Net sales	1,399.5 billion yen	1,400.0 billion yen
Operating profit	71.1 billion yen	62.0 billion yen
Ordinary profit	72.8 billion yen	64.0 billion yen
Profit attributable to owners of parent	42.7 billion yen	35.0 billion yen
Seat production volume	7.40 million units	7.49 million units
Earnings per share	230.27 yen	188.47 yen
Cash dividends per share	54.00 yen	56.00 yen
Exchange rates	US dollar	111 yen
	Euro	130 yen

*1 Announced on July 31, 2018

Seat production volume

On an overall consolidated basis, we forecast that seat production volume will increase 90,000 units from fiscal 2018 to 7.49 million seats. By geographic region, in Japan, despite an expected increase in production for large-class vehicles, we forecast that seat production volume will remain level with fiscal 2018 due to an expected decline in production for SUVs and MPVs*2. In The Americas, production is expected to decrease in advance of model changes in North America and we forecast that seat production volume will decline 40,000 units from fiscal 2018. In Asia & Oceania, we forecast that total seat production volume will rise 170,000 units from fiscal 2018 supported by expected production increases in China. In Europe & Africa, we forecast that seat production will decrease 40,000 units from fiscal 2018 due to the impact of the end of production for some models.

*2 Multi-purpose vehicles: minivans, tall wagons

Profits and losses

Regarding business results for fiscal 2019, the Toyota Boshoku group forecasts net sales of 1,400.0 billion yen. We forecast operating profit of 62.0 billion yen, a decrease of 9.1 billion yen from fiscal 2018; ordinary profit 64.0 billion yen, a decrease of 8.8 billion yen; and profit attributable to owners of parent of 35.0 billion yen, a decrease of 7.7 billion yen. The Toyota Boshoku group assumes exchange rates of 1 US dollar/106 yen and 1 Euro/126 yen.

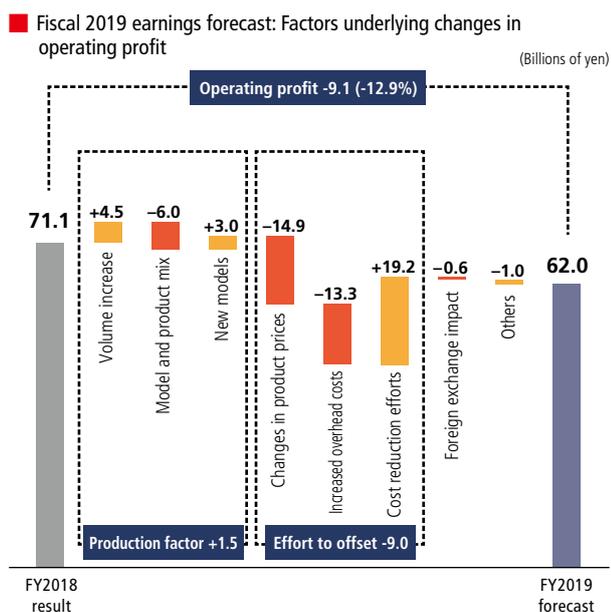
Forecast of results by geographic region

Net sales in Japan are expected to increase 24.6 billion yen due to changes in product model mix. Although we expect to secure profits through the increase in sales, we forecast that operating profit in Japan will decline 6.2 billion yen owing to expected upfront investments to strengthen our competitiveness and management foundation. In The Americas, net sales are expected to decline 30.7 billion yen due to exchange rate fluctuations and to decreased production ahead of model changes. We forecast that operating profit will decline 5.4 billion yen due to such factors as the decrease in sales and an increase in production preparation costs for model changes. In Asia & Oceania, we forecast an 11.1 billion yen increase in net sales due to the impact of increased production in China and Thailand. We forecast that operating profit will increase 4.0 billion yen due to new products and to model changes in addition to the impact of higher sales. In Europe & Africa, we expect net sales will decrease 5.9 billion yen due to the impact of

decreased production along with the end of production of some vehicle models. Operating profit is forecast to decrease 1.5 billion yen owing to an expected increase in production preparation costs for new products in addition to the impact of decreased production.

Factors underlying changes in operating profit

Versus fiscal 2018 operating profit of 71.1 billion yen, despite the effects of changes in models and product mix, we expect the impact of production changes resulting from increased production and the effects of new products will have an operating profit-increasing effect of 1.5 billion yen. On the other hand, although we expect rationalisation efforts to absorb price fluctuations and will strengthen our base profitability, we expect that higher overhead costs from proactive upfront investments for future growth will reduce operating profit by 9.1 billion yen.



Capital expenditures

The Toyota Boshoku group plans to make capital expenditures totalling 180.0 billion yen over the three-year period from fiscal 2019 through fiscal 2021. In addition to regular expenditures for strengthening, increasing, maintaining and upgrading facilities, these expenditures will be concentrated mainly on TB Industry 4.0 (IoT), the standardisation of production processes, accelerating the development of production technologies, raising quality and productivity, reorganising production plants and rebuilding internal infrastructures (establishing a management foundation, implementing office reforms).

R&D

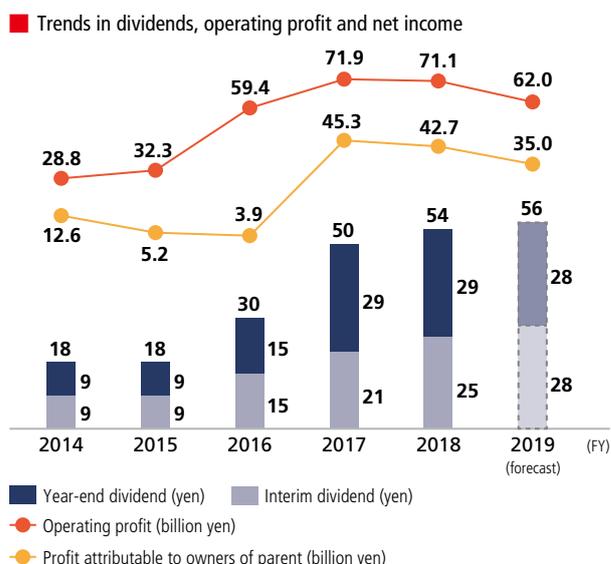
The Toyota Boshoku group plans to allocate a total of 140.0 billion yen for R&D over the three-year period from fiscal 2019 through fiscal 2021. These expenditures will be targeted at electrification, fuel cell (FC)-related products, cooling and circulating water purification systems and aircraft seats in new development fields, and for expanding our core businesses and raising profitability in fields for strengthening development.

Dividend policy

Toyota Boshoku's basic policy is to continually maintain long-term, stable dividends, and we aim to incrementally raise the dividend payout ratio to around 30% toward fiscal 2021.

For fiscal 2018, Toyota Boshoku decided to increase interim cash dividends per share by 4 yen to 25 yen per share compared with the fiscal 2017 interim dividend and pay a year-end cash dividend per share of 29 yen, the same as for fiscal 2017, and thereby increase annual cash dividends per share by 4 yen from fiscal 2017 to 54 yen per share in fiscal 2018.

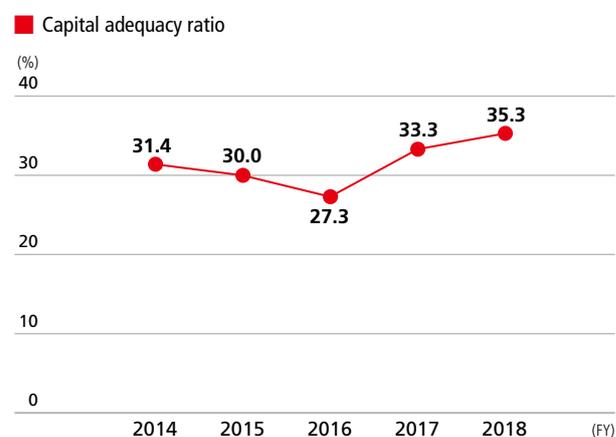
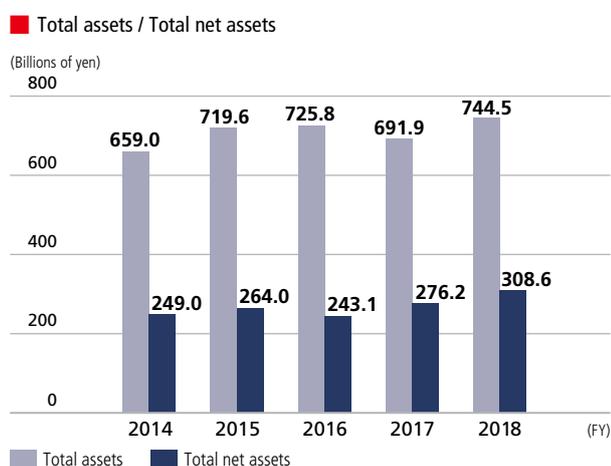
For fiscal 2019, despite an expected decline in profits due to a strategic increase in upfront expenditures, Toyota Boshoku determined that it has significantly improved its base profitability and thus plans to increase full-year dividends by 2 yen from fiscal 2018 to 56 yen per share.



10-Year Financial Summary

	FY2018	FY2017	FY2016	FY2015
Net sales	¥ 1,399,530	¥ 1,357,913	¥ 1,415,772	¥ 1,305,502
Operating profit	71,198	71,936	59,492	32,393
Ordinary profit	72,879	77,224	56,123	41,091
Profit (loss) attributable to owners of parent	42,762	45,359	3,900	5,204
Total net assets	308,620	276,274	243,146	264,038
Capital stock	8,400	8,400	8,400	8,400
Total assets	744,558	691,921	725,895	719,680
Capital expenditures	52,095	35,500	36,898	50,190
Depreciation	34,755	36,228	41,012	40,121
R&D expenses	47,393	37,884	38,450	38,821
Per Share Data (Yen)				
Net income (loss) (Basic)	¥ 230.27	¥ 244.28	¥ 21.02	¥ 28.08
Net income (Diluted)*	—	244.27	21.02	—
Cash dividends	54.00	50.00	30.00	18.00
Net assets	1,414.91	1,240.77	1,065.72	1,164.36
Cash Flow				
Net cash provided by operating activities	¥ 86,117	¥ 95,389	¥ 78,912	¥ 65,536
Net cash provided by (used in) investing activities	(51,707)	(48,927)	(48,086)	(51,615)
Net cash provided by (used in) financing activities	(3,528)	(61,347)	(8,739)	516
Cash and cash equivalents	178,372	144,889	160,904	143,493
Financial Indicators (%)				
Operating profit to net sales	5.1	5.3	4.2	2.5
Ordinary profit to net sales	5.2	5.7	4.0	3.1
Return on assets (ROA)	5.7	6.6	0.5	0.7
Return on equity (ROE)	17.3	21.2	1.9	2.5
Capital adequacy ratio	35.3	33.3	27.3	30.0
Shareholders' Equity (at fiscal year-end)				
Number of shares issued (Thousands)	187,665	187,665	187,665	187,665
Number of employees (excluding temporary employees)	41,409	41,428	41,624	41,509

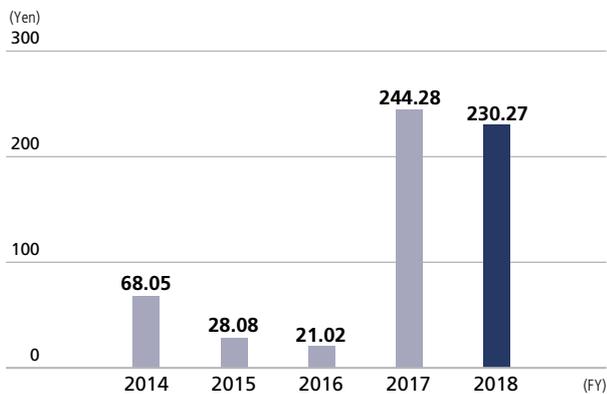
* Despite the existence of latent shares, net income per share after adjustment for latent shares in fiscal 2009 is not stated because of a net loss per share. With regard to diluted net income per share of common stock in 2012, 2013, 2014, 2015 and 2018, there were no latent shares with dilutive effects.



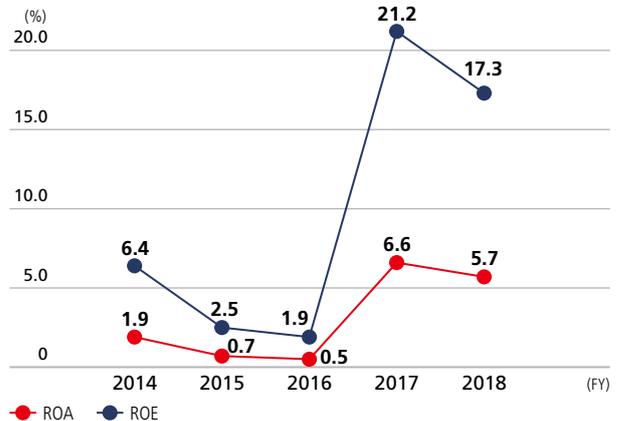
Millions of yen

	FY2014	FY2013	FY2012	FY2011	FY2010	FY2009
	¥ 1,218,399	¥ 1,079,497	¥ 964,295	¥ 983,727	¥ 953,729	¥ 979,775
	28,823	25,302	20,910	36,856	25,143	14,054
	40,294	33,914	23,225	36,027	24,067	13,292
	12,610	15,792	3,232	11,466	6,882	(5,064)
	249,082	220,740	190,347	196,992	196,545	189,038
	8,400	8,400	8,400	8,400	8,400	8,400
	659,008	583,955	597,654	504,472	546,486	466,506
	51,116	36,805	37,583	41,229	43,076	60,496
	36,302	32,744	31,529	32,342	35,121	31,672
	40,189	36,321	32,543	32,434	30,021	28,968
	¥ 68.05	¥ 85.23	¥ 17.45	¥ 61.82	¥ 37.00	¥ (27.15)
	—	—	—	61.82	37.00	—
	18.00	18.00	16.00	16.00	13.00	20.00
	1,115.69	1,010.49	868.93	890.78	883.96	848.01
	¥ 49,590	¥ 44,474	¥ 46,920	¥ 60,630	¥ 64,188	¥ 35,111
	(51,867)	5,826	(76,108)	(40,462)	(41,337)	(67,739)
	(5,636)	(41,942)	30,748	(15,345)	(13,547)	47,525
	126,648	129,323	113,947	113,950	113,124	102,457
	2.4	2.3	2.2	3.7	2.6	1.4
	3.3	3.1	2.4	3.7	2.5	1.4
	1.9	2.7	0.5	2.3	1.3	—
	6.4	9.1	2.0	7.0	4.3	(2.9)
	31.4	32.1	26.9	32.7	30.1	33.9
	187,665	187,665	187,665	187,665	187,665	187,665
	38,198	32,986	31,883	27,856	27,613	27,078

■ Net income per share



■ Return on assets (ROA) / Return on equity (ROE)



Consolidated Balance Sheets

As of March 31, 2018 and 2017

(Millions of yen)

Assets	2018	2017
Current assets		
Cash and deposits	¥ 194,158	¥ 162,335
Notes and accounts receivable - trade	194,149	185,189
Merchandise and finished goods	7,762	7,520
Work in process	9,648	7,866
Raw materials and supplies	28,560	28,460
Deferred tax assets	4,688	5,759
Other	42,417	39,060
Allowance for doubtful accounts	(135)	(158)
Total current assets	481,248	436,032
Non-current assets		
Property, plant and equipment		
Buildings and structures	187,695	186,414
Accumulated depreciation	(112,848)	(107,467)
Buildings and structures, net	74,847	78,946
Machinery, equipment and vehicles	312,288	310,342
Accumulated depreciation	(241,418)	(237,658)
Machinery, equipment and vehicles, net	70,870	72,684
Tools, furniture and fixtures	111,960	111,328
Accumulated depreciation	(99,132)	(98,742)
Tools, furniture and fixtures, net	12,828	12,586
Land	26,214	26,733
Leased assets	2,655	2,801
Accumulated depreciation	(2,391)	(2,646)
Leased assets, net	264	155
Construction in progress	16,125	7,195
Total property, plant and equipment	201,150	198,302
Intangible assets		
Goodwill	3,422	4,882
Other	6,740	3,054
Total intangible assets	10,163	7,937
Investments and other assets		
Investment securities	23,300	16,530
Deferred tax assets	22,685	26,750
Other	6,227	6,526
Allowance for doubtful accounts	(217)	(159)
Total investments and other assets	51,996	49,648
Total non-current assets	263,310	255,888
Total assets	¥ 744,558	¥ 691,921

(Millions of yen)

Liabilities	2018	2017
Current liabilities		
Notes and accounts payable - trade	¥ 181,061	¥ 175,585
Short-term loans payable	5,829	21,981
Current portion of bonds	10,000	—
Current portion of long-term loans payable	19,540	5,947
Accrued expenses	49,461	45,724
Income taxes payable	13,668	13,820
Provision for product warranties	2,517	3,458
Provision for directors' bonuses	353	417
Other	21,416	19,363
Total current liabilities	303,847	286,298
Non-current liabilities		
Bonds payable	40,000	20,000
Long-term loans payable	31,687	46,031
Net defined benefit liability	53,989	54,786
Provision for directors' retirement benefits	268	298
Asset retirement obligations	250	258
Other	5,894	7,973
Total non-current liabilities	132,090	129,347
Total liabilities	435,938	415,646
Net assets		
Shareholders' equity		
Capital stock	8,400	8,400
Capital surplus	8,406	8,778
Retained earnings	270,951	238,150
Treasury shares	(3,874)	(3,874)
Total shareholders' equity	283,882	251,455
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,952	1,803
Foreign currency translation adjustment	(12,805)	(10,458)
Remeasurements of defined benefit plans	(10,270)	(12,380)
Total accumulated other comprehensive income	(21,123)	(21,034)
Non-controlling interests	45,861	45,853
Total net assets	308,620	276,274
Total liabilities and net assets	¥ 744,558	¥ 691,921

Consolidated Statements of Income

For the years ended March 31, 2018 and 2017

(Millions of yen)

	2018	2017
Net sales	¥ 1,399,530	¥ 1,357,913
Cost of sales	1,246,798	1,204,051
Gross profit	152,731	153,861
Selling, general and administrative expenses		
Transportation and warehousing expenses	6,629	6,606
Salaries and bonuses	31,314	32,533
Welfare expenses	4,555	4,706
Retirement benefit expenses	1,136	1,107
Provision for directors' bonuses	388	417
Provision for directors' retirement benefits	17	34
Taxes and dues	3,278	2,800
Depreciation	3,865	3,600
Research and development expenses	3,484	1,110
Amortization of goodwill	1,454	1,497
Other	25,408	27,511
Total selling, general and administrative expenses	81,532	81,925
Operating profit	71,198	71,936
Non-operating income		
Interest income	1,711	1,193
Dividend income	148	137
Rent income on non-current assets	713	760
Share of profit of entities accounted for using equity method	821	387
Foreign exchange gains	1,090	1,412
Miscellaneous income	—	1,446
Other	3,966	4,968
Total non-operating income	8,451	10,305
Non-operating expenses		
Interest expenses	1,285	1,861
Loss on retirement of non-current assets	468	468
Depreciation	462	406
Loss on valuation of derivatives	987	—
Other	3,565	2,280
Total non-operating expenses	6,770	5,017
Ordinary profit	72,879	77,224
Extraordinary income		
Insurance income	—	3,585
Total extraordinary income	—	3,585
Extraordinary losses		
Impairment loss	—	1,730
Total extraordinary losses	—	1,730
Profit before income taxes	72,879	79,079
Income taxes - current	17,962	23,409
Income taxes - deferred	4,339	1,733
Total income taxes	22,301	25,142
Profit	50,578	53,937
Profit attributable to non-controlling interests	7,815	8,577
Profit attributable to owners of parent	¥ 42,762	¥ 45,359

Consolidated Statements of Cash Flows

For the years ended March 31, 2018 and 2017

(Millions of yen)

	2018	2017
Cash flows from operating activities		
Profit before income taxes	¥ 72,879	¥ 79,079
Depreciation	34,755	36,228
Impairment loss	—	1,730
Amortisation of goodwill	1,454	1,497
Increase (decrease) in net defined benefit liability	2,039	2,680
Interest and dividend income	(1,859)	(1,330)
Interest expenses	1,285	1,861
Foreign exchange losses (gains)	(1,073)	735
Share of loss (profit) of entities accounted for using equity method	(821)	(387)
Loss (gain) on sales of property, plant and equipment	(341)	(161)
Decrease (increase) in notes and accounts receivable - trade	(14,482)	(10,903)
Decrease (increase) in inventories	(3,310)	(904)
Increase (decrease) in notes and accounts payable - trade	10,436	9,522
Decrease (increase) in accounts receivable - other	(4,667)	3,413
Increase (decrease) in accounts payable - other	333	1,452
Increase (decrease) in accrued expenses	5,231	1,533
Other, net	(573)	(10,508)
Subtotal	101,287	115,541
Interest and dividend income received	2,101	1,675
Interest expenses paid	(1,303)	(2,161)
Income taxes paid	(15,967)	(19,666)
Net cash provided by (used in) operating activities	86,117	95,389
Cash flows from investing activities		
Payments into time deposits	(3,003)	(5,115)
Proceeds from withdrawal of time deposits	4,433	—
Purchase of property, plant and equipment	(46,082)	(31,439)
Proceeds from sales of property, plant and equipment	2,792	1,055
Purchase of intangible assets	(4,121)	(2,239)
Purchase of investment securities	(5,603)	(67)
Payments of loans receivable	(67)	(55)
Collection of loans receivable	70	69
Payments resulting from liquidation of business	—	(11,149)
Other, net	(125)	14
Net cash provided by (used in) investing activities	(51,707)	(48,927)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,962)	(24,538)
Proceeds from long-term loans payable	6,651	1,083
Repayments of long-term loans payable	(6,245)	(25,526)
Proceeds from issuance of bonds	30,000	—
Cash dividends paid	(10,024)	(6,682)
Dividends paid to non-controlling interests	(7,039)	(5,676)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(648)	—
Other, net	(259)	(6)
Net cash provided by (used in) financing activities	(3,528)	(61,347)
Effect of exchange rate change on cash and cash equivalents	1,297	(1,128)
Net increase (decrease) in cash and cash equivalents	32,179	(16,014)
Cash and cash equivalents at beginning of period	144,889	160,904
Increase (decrease) in cash and cash equivalents resulting from unification of accounting period	1,303	—
Cash and cash equivalents at end of period	¥ 178,372	¥ 144,889

Investor Information

As of March 31, 2018

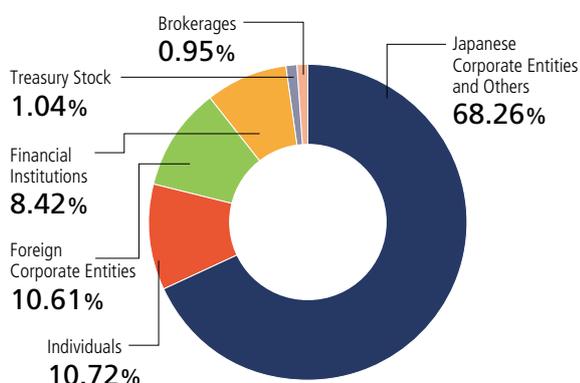
Total Number of Shares

Number of shares authorised to be issued	500,000,000
Number of shares outstanding	185,707,412
	(excluding treasury stock of 1,958,326)

Number of Shareholders

13,287

Breakdown of Shareholders



Corporate Data

Location	1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
Capital	8.4 billion yen
Number of employees (excluding temporary employees)	8,246 (non-consolidated) 41,409 (consolidated)
Founded	1918
Established	1950
Stock exchange listings	Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code	3116
Independent auditor	PricewaterhouseCoopers Arata LLC
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation

Evaluations by Outside Institutions

Inclusion in Indexes (Socially Responsible Investment)



Toyota Boshoku was selected as a 2018 constituent of the Morningstar Socially Responsible Investment Index (MS-SRI) created by Morningstar Japan K.K. This index incorporates 150 Japanese companies acclaimed for their outstanding initiatives from financial, corporate governance, environmental, social and human resources utilisation perspectives.

JPX-NIKKEI 400

This stock index is jointly developed and operated by Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc. and Nikkei Inc. The index is composed of "companies that are highly appealing as investments from the standpoint of investors."



This stock index was established independently by Sompo Japan Nipponkoa Asset Management Co., Ltd. Constituent companies are selected based on evaluations of their corporate ESG (environmental, social and governance) initiatives.

Buna no Mori

Established by Sompo Japan Nipponkoa Asset Management Co., Ltd., this stock index includes companies with a high awareness of environmental protection and that proactively promote environmental measures and other initiatives.

Evaluations

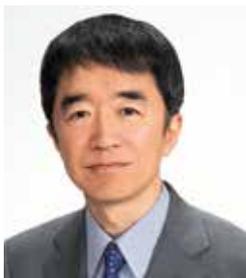


This NGO requires disclosure of strategies toward climate change and information on greenhouse gas emissions and publishes an evaluation score worldwide. Toyota Boshoku earned a leadership level evaluation of A- for its initiatives toward climate change and water.



Toyota Boshoku was certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) jointly selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Third-Party Comments regarding *Toyota Boshoku Report 2018*



Professor
Katsuhiko Kokubu
Graduate School of Business
Administration
Kobe University

Professor Katsuhiko Kokubu completed his Ph.D. in business administration at the Graduate School of Business Administration of Osaka City University and assumed his current position from 2001 after serving as assistant professor at Osaka City University and Kobe University. He is the Convenor of the ISO/TC207/WG8 (working group on material flow cost accounting) and Chairman of Material Flow Cost Accounting (MFCA) Forum Japan. His majors are environmental accounting, environmental management and CSR management. Professor Kokubu has published more than 15 books including *Foundation for Corporate Social Responsibility* (Chuokeizaisha, Inc.), *Beyond Accountability toward Management Ethics* (Yuhikaku Publishing Co., Ltd.) and *Material Flow Cost Accounting* (Nikkei Publishing Inc.).

Disclosure of value creation process

The most significant feature of *Toyota Boshoku Report 2018* is the easy-to-understand explanation of the Toyota Boshoku group's value creation process through a report framework that parallels the Value Creation Story. In particular, linking and disclosing the resources supporting value creation and the results of value creation (2017 results) is extremely important, and I would say that this approach serves as a new model for integrated reporting. Furthermore, I believe the detailed explanation of the corporate management structure for raising value as also articulated in the Interview with the President is especially outstanding as this enables a concrete understanding of Toyota Boshoku's activities. Also, under the framework of the International Integrated Reporting Council (IIRC), the disclosure of value created by non-financial capital such as human, intellectual, natural and social and relationship capital is also required, and for this reason, I would like to see Toyota Boshoku expand its scope of value in the future.

Enhancement of governance information

One more noteworthy feature of this year's report is the enhancement of governance information. I can commend this stance of expanding governance information in response to the recent background of increased ESG investing. Details of the Corporate Governance Report also appear to be incorporated into this year's report, and so I believe this is also a very meaningful trial approach because the Corporate Governance Report does not easily attract people's attention. In the future, I believe the significance of this report as an integrated report can be raised further by disclosing qualitative governance information that goes one step further such as by including the opinions of outside directors regarding CSR and how they evaluate Toyota Boshoku's social- and environmental-related activities.

Promotion of work style reform and diversity

Promoting work style reform and diversity is an issue facing not only Japan but also the entire world and Toyota Boshoku is proactively addressing this issue. Stable employment with fair and honest evaluations and working conditions serve as the basis of work styles. Toyota Boshoku particularly emphasises this point and is forming a systemic foundation in this area. Toyota Boshoku is creating people-friendly processes, such as establishing a process exclusively for women expecting a child and introducing a shortened work hour system, and I believe such considerate responses will probably serve as a useful reference for numerous companies. These work style reforms will not only improve the employment environment for company members but will also provide support that enables members to realise their diverse aspirations. The concerns felt by members have also already emerged as social issues. I believe that a framework enabling members to solve these challenges together with the company will further promote CSR. In this sense, I believe it is also important to view the Sustainable Development Goals (SDGs) through the eyes of members. I hope to see Toyota Boshoku further enhance its activities in the future.



Executive Vice President
Unit Chief,
Product Business Unit
Group Chief,
Corporate Planning Group
Teruo Suzuki

Response to the third-party comments

The Toyota Boshoku group will accelerate initiatives to enhance corporate value such as newly formulating the 2020 Management Plan while steadily promoting the Mid-term Business Plan for Implementation toward the realisation of our Vision. In this year's report, we clearly stated our newly organised value creation process and along with this we explained this process through a story paralleling this value creation process. Additionally, we enhanced information on governance, which serves as the basis for all our company activities, and included specific initiatives for the work style reforms we are promoting across the entire company.

Professor Kokubu highly applauded these points, and based on his comments, in the future we will work toward realising our aim of being a trusted company that grows together with all stakeholders.

We accept that expanding the scope of evaluation and disclosure of value in non-financial areas as pointed out by Professor Kokubu, as well as including an evaluation of activities from the perspective of outside directors, are crucial issues for evolving into a company widely recognised by society, and we will use this opinion in our future activities. At the same time, we will firmly reflect the results as we further enhance our report. In the future as well, we will listen intently to the opinions of our stakeholders throughout the world and will continue to concentrate efforts toward realising our Vision.

