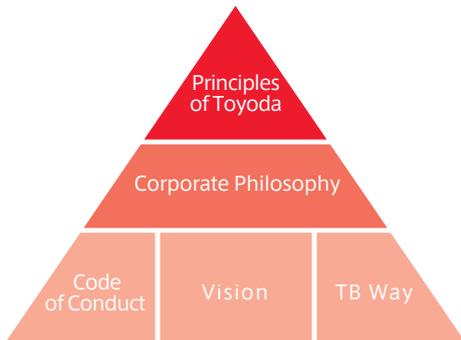




TOYOTA BOSHOKU REPORT 2020



Philosophy/Vision



Principles of 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.



Sakichi Toyoda



Corporate Philosophy

- 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.
- Customers** The Company will develop innovative technologies and products to deliver quality that satisfies our customers.
- Shareholders** The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.
- Employees** The Company will build and maintain positive labour-management relations, respect the individuality of its employees and create safe and comfortable workplaces.
- Business partners** The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.

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

TB Way

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

1. We meet challenges with courage and creativity, to realise our dreams.
2. We carry out *kaizen* continuously, aiming to achieve higher goals.
3. We practice *genchi-genbutsu* 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.
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.

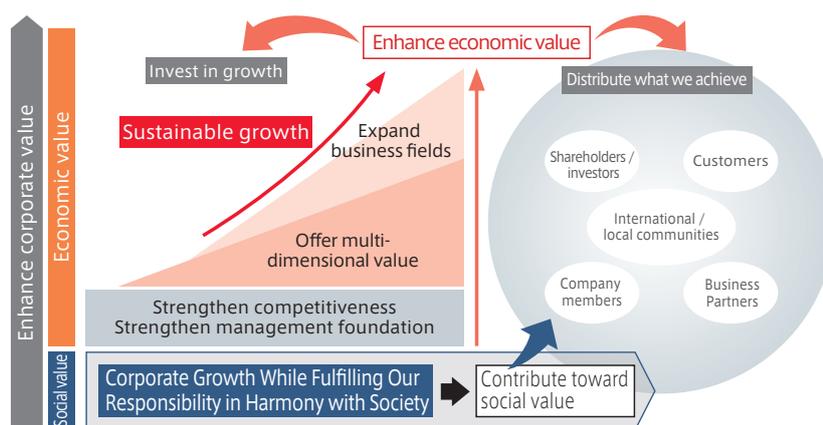
Vision

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

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 towards growth.



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● 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 2020 (from April 1, 2019 to March 31, 2020). 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 2018 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.



Message from the President

Aiming to Achieve Sustainable Growth

Aiming to be an Interior Space Creator,
We Are Striving to Be a Company
That Resolves Social Issues
through Our Business Operations

President



Takeshi Numa





Spirit of the Words 'Interior Space Creator'

Fiscal 2021 is the final year of our 2020 business plan, and it is also the year in which we will formulate our next mid-term business plan. I'd like to first take a look at our history that premise to describe Interior Space Creator aimed to achieve sustainable growth.

In November 2016, we announced our Mid-term Business Implementation Plan, adopting **QUALITY OF TIME AND SPACE** as our slogan, aiming to offer high quality time and space in all forms of mobility. We gave thought to how we could contribute to the world of mobility and how we could offer new value, however, at that time, our competitiveness, management foundation, and resources were not strong enough to achieve this.

In order to rectify the situation, we reorganized our domestic production plants and implemented structural reforms throughout our supply chain, enabling us to respond quickly to changes in demand. We consolidated the duplicated resources resulting from the three-company merger of 2004, investing the newly generated resources to growth sectors domestically and abroad working to meet CASE*¹ and MaaS.*²

We want to make products that impress and exceed the expectations of not only the automotive manufacturers, but also the final customers, our end users. To accomplish this, our strengths of HITOZUKURI*³, MONOZUKURI*⁴, and R&D are essential. For example, we assess the needs of our customers, including the differences in physique between men and women and between the West and the Asian regions, situational differences in usage, differences in local culture and customs, and only then do we offer our products. How to adapt standardized items to such discrete needs is also important, and being able to provide a full line-up is key to achieving competitiveness. In addition to products that exceed customer expectations, we need to continue producing good quality products at a reasonable price and in order to do so, we would like our company members to always keep the spirit of challenge. Keeping this in mind at all time, we can then improve our competitiveness, which will enable us to assume responsibility as a system supplier for entire interior spaces – not

just to supply fragmented structural components in mobility, but to supply fully integrated packages. I believe that when we can achieve this, we will get closer to become an 'Interior Space Creator.'

We first declared ourselves to be an Interior Space Creator at Tokyo Motor Show 2019. Five companies – AISIN SEIKI Co.,Ltd., DENSO Corporation, Toyoda Gosei Co.,Ltd., Tokai Rika Co., Ltd., and ourselves – collaborated to announce the **MX191 mobile space of the future** (▶ see page 13.), which incorporates the leading-edge technologies that the respective firms possess. A diverse array of seat arrangements during autonomous driving, safety systems that protect occupants, mode switching to accommodate situations of relaxation and of alertness, just to mention a few examples of what we can do. The myriad functions from each company are incorporated in the interior space, seats, headliner, and elsewhere, marking our first step forward as an integrated Interior Space Creator.

When we considered mobility, the target is not just cars – we're also expanding to aircraft, trains, and so on. Furthermore, entire living spaces such as 'smart cities' and 'connected cities' can also be potential markets. Whoever possesses the power to resolve issues in such markets can be considered as an Interior Space Creator. The market relating to space, such as automotive components, automobiles, aircraft, trains, household appliances, housing, etc., is worth around 200 trillion yen in Japan alone. If we were to be entrusted as Space Creator in the market and gain a share of one percent or so, we could become a company worth two trillion yen. This is our dream.

*1 Connected, Autonomous, Shared, and Electric

*2 Mobility as a Service: This is a concept for seamlessly linked new mobility that combines all types of transportation other than personally owned vehicles as one service.

*3 Human resources development to realise Principles of Toyota

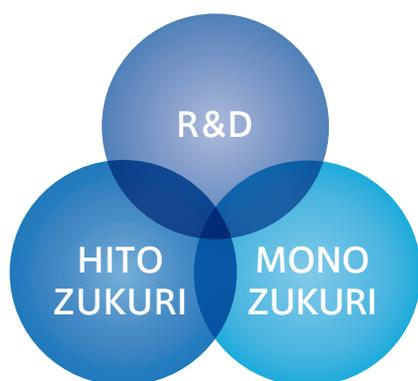
*4 Manufacturing and Craftsmanship



The Source of Our Core Competencies: the Principles of Toyoda

The Principles of Toyoda that are our corporate DNA contain important words that apply in every era, such as 'for the world and for people,' 'stay ahead of the times,' and 'build a homelike atmosphere,' and it is these Principles of Toyoda that are the source of our core competencies.

At Toyota Boshoku, the aspiration of 'for the world and for people' has been inherited from one generation to the next as a continuing tradition, and to realize this aspiration, we have the strength to work honestly and steadily. I think this is linked to our current aim of becoming an Interior Space Creator. I believe it is important that through R&D and MONOZUKURI we can develop people, through this we strive to enhance our value.



The Identity of the Toyota Boshoku Group

For CASE and MaaS, we have products such as motor cores for electric vehicles and separators for fuel-cell vehicles which are created from our precision stamping technology we employ in recliner mechanisms for seats. This shows our strengths: high capabilities in transforming core technologies into applied technologies. Without this ability, we would be merely a company capable only of making ordinary products. I believe, therefore, we have the power to think and to see in a wider perspective, without restrictions, how we can contribute to society using our technology for the community as a whole, which is something beyond just automotive interior spaces. There may be companies that are better than we are at making single commodity products, such as just seats or just door trim. However, I don't think there are

many companies that can operate smoothly when there are two very different cultures co-existing. A culture of continuously considering how to add value, what growth strategy to map out and to just try out something new, and a culture where production areas that maintain a strong awareness and commitment to reducing base costs, even if it is by only one yen, one gram or one millimeter.

Quality Innovations Promoted through Consolidating Our Fundamentals by Each and Every Member having Customer's Perspective

In keeping with the 2020 Mid-term Business Implementation Plan, we have been devoting our efforts to strengthening our competitiveness and our management foundation, as a prerequisite, for consolidating our fundamentals. Through this, we have been promoting quality innovation by making the three functional areas of administration, quality control, and manufacturing to take independent responsibility so as to enable quality assurance. We restructured the organization of our plants, establishing Administration Division that is responsible for production control, base-cost control, and personnel, and a Quality Control Division that comprehensively controls quality to achieve our customer's expectation. This was rolled out to all our plants, subsidiaries, and affiliates in Japan and in other countries over three years. This organizational restructuring made the importance of building in quality become very apparent, and thinking on the shop floor shifted greatly to the customer's perspective. Ever since the merger, the structure of production self-governed quality had been existed, however, by changing this, we changed the member's level of customer awareness, and have succeeded in consolidating our fundamentals.

For understanding the customer's perspective, we established the Global Quality Learning Center, where we are able to listen to the actual voices of 'true customers' – such as the people at automobile dealerships and end users – and we also created forums where company members throughout the



world can gain an understanding of quality from the customer's perspective. We are now tackling the challenge of winning the Deming Prize, but our goal is not the prize itself – our aim is to develop members throughout the company, including those in the corporate units, to conduct their daily jobs while upholding the perspective of the customer.

The Global Mainstay Hub, the MONOZUKURI Innovation Center, and Human Power

Along with consolidating our fundamentals in terms of quality and other aspects, we have been endeavouring to strengthen competitiveness and our management foundation. We completed the **Global Mainstay Hub (Main Building; ▶ see page 19.)** in the city of Kariya, Aichi Prefecture, in May 2020. When establishing the main building, the most important purpose for us was for company members throughout the world be able to accurately communicate with each other in English. To communicate accurately all over the world naturally presents practical difficulties, but by making the TB Way our foundation and maintaining mutual awareness, we aim to achieve operations matched to local circumstances. Also, along with working in alliance with the respective Regional Management & Collaboration Hubs (RM&CH), promoting shorter lead times and enhanced accuracy for collection of management data, we are striving to advance our information systems that make multifaceted and hierarchical analysis possible. The main building is the headquarters that leads the entire world, and by centralizing information, we are enabling management members, both in Japan and abroad, to make the right decisions.

The MONOZUKURI Innovation Center (▶ see page 17.) was also completed at the Sanage Plant in Toyota City, Aichi Prefecture, in January 2020. This is a facility implementing next-generation production lines that make use of AI and automation technologies, increasing the efficiency and accelerating the speed of MONOZUKURI advancement. People from Development through to Production Engineering, Quality, and Manufacturing are

collaborating to put integrated MONOZUKURI into practice, and therefore all product codes from prototype and development to the part's codes at the manufacturing site will be matched. What's more, it will be even possible to deal with new suppliers without changing the system. We are making use of this MONOZUKURI Innovation Center to devote effort to centralizing product-making and management information.

I believe, however, that no matter how far the use of AI and IoT advances, the foundation is people. When we are transplanting expert skills to robots or teaching AI systems, the ability to explain the sophisticated manufacturing skills and advanced techniques that people have is necessary. It is precisely thanks to those experts that AI could demonstrate capabilities which surpass humans. No matter how digitalized product-making becomes, digitization is only to speed up the process and improve efficiency – it cannot create products from zero. It is thanks to those who possess skills and the capability to organize efficient working methods in the first place, we are able to make good use of AI and IoT to achieve better manufacturing.

Formulating Toyota Boshoku's Materiality: How Can We Help Resolve Social Issues through Our Business Operations?

To contribute to realizing a sustainable society, we have formulated **Toyota Boshoku's material issues (materiality; ▶ see page 27.)** and linked Sustainable Development Goals (SDGs) to each respective one. Through this, I believe, all company members will gain an awareness and understanding of SDGs, it will serve as an opportunity for them to ask themselves what it means to contribute to society through our business operations. SDGs are not forms of social contribution – they are international targets and indicators with which companies make efforts through their business operations in order to achieve happiness for people around the world. When we approach matters from the perspective of SDGs, we realized that the technology and capabilities we have could help people in society who need assistance. For example, by using the

water-purification technology in our production processes to reduce environmental stress in the world, or by making use of physiological spatial data to help ensure health as well as safety and reassurance for people.

As a company involved in MONOZUKURI, environmental concerns are a serious issue that cannot be sidestepped. Together with reducing CO₂ emissions, we also consider efforts to tackle waste materials and water usage.

Our initiatives towards 'water' -related issues, which include zero waste-water discharge during production processes and water-purification systems, were recognized in 2019, earning us a spot on the A List of highest-evaluated companies compiled by CDP*⁵. As we work to accomplish our 2050 Environmental Vision, we are engaging in business activities while giving thought to how we can achieve both 'high-efficiency MONOZUKURI' and 'the reduction of CO₂ emissions and environmental stresses.'

Furthermore, as part of our responsibility in belonging to the automotive industry, we also consider a 'society of zero traffic casualties' to be an important matter. As a company that does not manufacture complete vehicles, some may wonder what we can contribute, but, for example, we possess Double-Weaving technology, and by teaming up with specialized airbag manufacturers we can refine the performance of this field, and I believe we can also contribute to the evolution of seat safety belts.

We view the many ways in which we can use our technology and capabilities to help the world as materiality, and we need to take up the challenges of social issues. Until now, we have created a 'customer first' quality-oriented corporate culture, and have said we shall become a trusted and chosen supplier. Going forward, we would like to set our sights two or three levels higher and continue to be a corporation of integrity that is trusted by all stakeholders – to become a company deemed to be necessary in society.

*⁵ Formerly the Carbon Disclosure Project: A nonprofit organization established in the UK that operates a global information-disclosure system for investors, corporations, cities, countries, and regions to manage environmental impact.



Towards Drafting Our 2025 Mid-term Business Plan

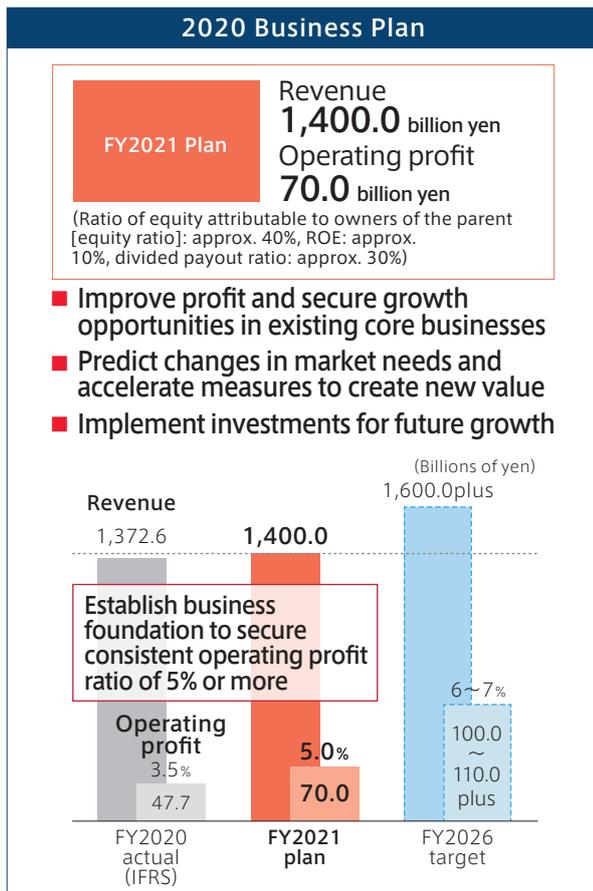
In preparation for formulating our next mid-term business plan, Segment Chiefs and others held over 150 meetings over a two-year span to identify which issues to address. We are now giving consideration to the future based on Toyota Boshoku's materiality as formulated for fiscal 2021. We would like to arrange and organize these and come up with the 2025 mid-term business plan.

Looking back at the last three-years (fiscal 2019 through fiscal 2021), we spent 140.0 billion yen on R&D expenses and 180.0 billion yen in capital investment for facilities and equipment, and have been working to achieve targets of 1,400.0 billion yen for revenue, 70.0 billion yen for operating profit, and an operating profit ratio of 5% in fiscal 2021. We have been devoting effort to strengthening our competitiveness and management foundation. Our abilities have increased and we are approaching a state wherein we can compete globally. In terms of financial performance, however, despite an outlay of 35.0 billion yen for fixed costs, sales and marginal profit did not increase. Having reflected on this situation we now realize that a business model based on assuming a given amount of investment would lead to an improved sales performance was too simplistic.

By integrating the business plan, revenue plan, and resource plan that had not been well coordinated in the past, we were able to improve the issues we were facing until now. In the 2025 mid-term business plan, we will use the resources generated through consolidating the existing fundamentals and regional reorganization to take on the next challenges. For our growth strategy, we are comprehensively selecting business ideas related to resolving social issues through our main operations. We will then organize these into



concrete action plans and carry out resource management. Realizing the 2020 business plan (▶ see page 25.) will be difficult due in part to the impact of COVID-19 but I believe we are ready to face what comes next. Having accomplished what we could, we are making every effort to step up towards the 2025 mid-term business plan.



Toward a Future of Creating New Value

The fund-leakage incident that occurred in Europe in 2019 provoked a widespread concern. To prevent any further incidents, we established a recurrence prevention committee headed by myself as the company president and are pressing ahead with measures to ensure that it will not be repeated again. The spread of COVID-19 has also dramatically changed our way of living. However, by sharing knowledge and taking thorough measures to prevent infection, we have continued our production operations. At the same time, together with leveraging the manufacturing capabilities that are our strength, we demonstrated flexibly to tackle

the situation in many ways, for example, by making masks and face shields.

From now, with our sights fixed on the world's social issues that lie ahead to become an Interior Space Creator, we must think how to find our fourth and fifth business fields following seats, interior and exterior, and unit components in fifty to a hundred years' time. For company members to meet these changes as a united whole, the strength to resolve social issues through innovation is necessary. One phrase I am constantly communicating to company members is 'independence and autonomy.' These signify the independence to stand on one's own and the autonomy to engage in self-control-being conscious of one's own strengths and weaknesses, and acting on one's own initiatives. Repetition of this will raise one's self-confidence. This, in turn, leads to independence, being entrusted with tasks that carry responsibility and the autonomy to act at one's own discretion without being instructed. Thinking, deciding, and acting at one's own accord. This results in the ability to independently tackle challenges whenever issues occur.

As we move toward the future, we are applying current technology to develop integrated seats that provide comfort and function to protect the occupant during a collision, and evolving into a system supplier that manages the entire automobile interior space, including the instrument panel and more. Further, with the safety and environment of customers around the world as prerequisites, we shall offer solutions for realizing interior spaces that pursue comfort and create new value as an 'Interior Space Creator.'

Thank you.



History of the Toyota Boshoku Group

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 system supplier

With the aim of becoming a true global system supplier, the three companies were merged to establish a global production structure, deepen unique technology and expand business fields.

1918

1918
Toyota Boshoku Corporation was founded by Sakichi Toyoda



Head Plant in Taisho period

1921
Entered China
Established Toyoda Boshoku Shou

1935
Formulated the Principles of Toyoda

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 independent entity from Toyota Motor Co., Ltd.

1960
Established Takashimaya Nipatsu Industries Co., Ltd. (later Takanichi Co., Ltd.)

1967
Company name changed from Minsei Spinning Co., Ltd. to Toyoda Boshoku Corporation

2000

2000
● Stock listed on Tokyo Stock Exchange,
● First Section Merged with Toyota Kakoh Co., Ltd.

2004
Araco Corporation (car interior components business), Takanichi Co., Ltd. and Toyoda Boshoku Corporation merged to form Toyota Boshoku Corporation



Three companies merged

2005
● Formulated the TB Way
● Introduced the One Hub per Region structure

2008
● Established the Toyota Boshoku Technical Skills Academy
Established Research Laboratories (now New Value Creation Center)
Completed the Global Training Center
● Developed new-generation automotive seat frames

2009
Established TB Kawashima Co., Ltd. for transportation interior materials business

2010

2010
Completed construction of the No.2 building of the Sanage Technical Center (concentrated development function for interior parts)

2011
Started operations at Technical Skills Training Center

2013
Developed high impact polymer resin together with Toyota Central R&D Labs., Inc.

2014
Completed Tajimi Technical Center proving ground

2015
● 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

Revenue trend

FY1951: 1.9 billion yen
Established Minsei Spinning Co., Ltd.

FY2005: 456.3 billion yen
Three companies merged to form Toyota Boshoku Corporation

FY2007: 1,082.7 billion yen
Exceed 1 trillion yen for the first time

FY2016: 1,415.7 billion yen
Historic high in sales

Evolution of business domains



1970
Entered the automotive components field



1985
Started full-scale production of automotive filters



2009
Started production of cabin air filter material by Dual Layer Melt Blown Construction Method



2013
Started production of motor core constituent parts using the FHS process*4

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



Towards the future

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

2016

2016

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

2017

- Signed business partnership agreement with Tachi-S Co., Ltd.
- Took part in the 44th World Skills Competition for the first time and won a gold medal in the mechatronics category
- Established ATN Auto Acoustics Inc. as a joint venture between Toyota Boshoku, Autoneum and Nihon Tokushu Toryo Co., Ltd. that will be engaged in NV evaluation and analysis of automobile interior and exterior systems
- Signed an agreement on comprehensive promotion of industrial-academic collaboration with National University Corporation Kanazawa University

2018

2018

- Announced the 2020 business plan
- Celebrated 100th anniversary
- Concluded an agreement with National University Corporation Nagoya University to jointly research tide generating force
- Exhibited at CES2019, the world's largest consumer electronics trade show
- Concluded a cooperation agreement with National University Corporation Iwate University centered on industrial technology development

2019

2019

- Opened sales and development office in India
- Established TOYOTA BOSHOKU AKI USA, LLC as a joint venture with Delta Kogyo Co., Ltd. and Toyo Seats Co., Ltd. for MTMUS*¹
- High impact polymer resin won the 2019 R&D100 Award*² Toyota Boshoku was recognised as a Water Security 'A List' Company, the Top Ranking, by CDP
- Completed the MONOZUKURI Innovation Center



MONOZUKURI Innovation Center (Sanage)

2020

Completed the main building



The main building (Kariya)

*¹ Mazda Toyota Manufacturing, U.S.A., Inc.: Joint venture of Toyota Motor Corporation and Mazda Motor Corporation

*² A venerable and prestigious award sponsored by R&D World Magazine in the United States. Honors the 100 most outstanding products and technologies developed by world-class research institutions and companies and put to practical use in the past year

FY2017:
1,357.9 billion yen

FY2018:
1,399.5 billion yen

FY2019:
1,417.3 billion yen*³

FY2020:
1,372.6 billion yen

*³ From FY2019 the Toyota Boshoku group has adopted International Financial Reporting Standards (IFRS).



2013
Received first order for railway seats Utilised in the Gran Class of the Hokuriku Bullet Train (Shinkansen) (Photo provided by East Japan Railway Company)



2013
First application of seats made using the Foam in Place Method



2014
Started production of fuel cell-related products (separators)



2015
Jointly developed the Company's first aircraft seats with All Nippon Airways Co., Ltd.



2019
Announced MX191 at the Tokyo Motor Show

Value Creation Process

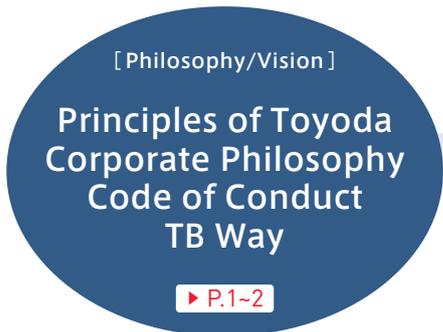
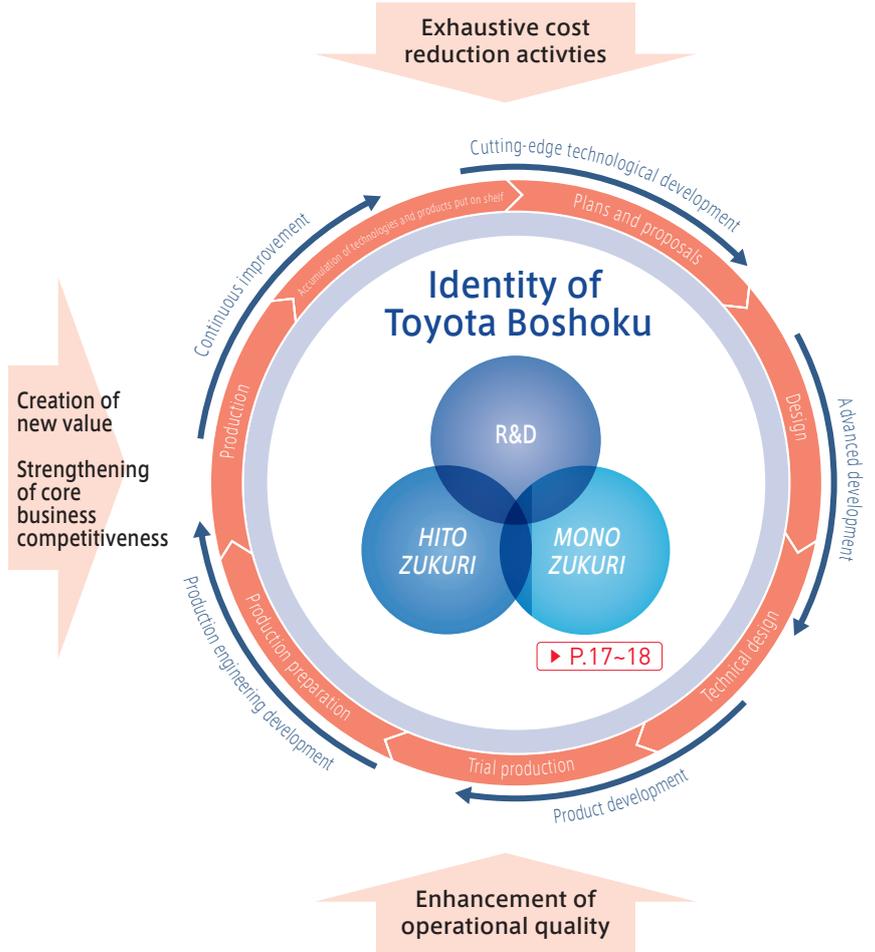
The Toyota Boshoku group seeks to realise our Vision, 'Looking into the future, we will create tomorrow's automobile interior space that will inspire our customers the world over' based on the identity of 'HITOUZUKURI', 'MONOZUKURI' and R&D as well as by leveraging our four business fields to support value creation.

Resources supporting value creation*1

Sound financial foundation	
Total equity:	321.7 billion yen
Ratio of equity attributable to owners of the parent	37.3%
Long-term issuer rating by Japan Credit Rating Agency Ltd.	Credit rating AA Stable rating outlook
Diverse human resources globally	
Number of group members including temporary staff members	52,392
Proportion of members working in regions outside Japan*2	70.2%
Collaboration with business partners	
Number of companies that shared our Basic Procurement Policy on online video	172
Manufacturing foundation	
Manufacturing entities	78 entities
Capital investment	58.7 billion yen
R&D foundation	
Development bases	13 bases
R&D costs	45.9 billion yen
Intellectual property	
Number of patents granted	Japan 271 Outside of Japan 277

*1 Results as of the end of fiscal 2020
*2 Including temporary members

Business activities that support value creation (Business model)





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

QUALITY OF TIME AND SPACE

Offer 'QUALITY OF TIME AND SPACE' in all mobility

Value provided by the Toyota Boshoku group

Offering of multi-dimensional value
Expansion of business field



Seat Business

Automobile Seats

Revenue (Net sales)
956.9 billion yen



▶ P.21



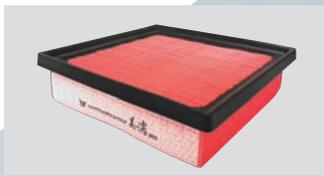
Interior & Exterior Business

Interior Components
Exterior Components

Revenue (Net sales)
279.7 billion yen



▶ P.22



Unit Components Business

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

Revenue (Net sales)
97.5 billion yen



▶ P.23



New Business Promotion*3

Emerging-market Compact Car Business
Aircraft Seat Business
Textile Business
Interior Space Planning

Revenue (Net sales)
38.4 billion yen



▶ P.24



Revenue	1,400 billion yen
Operating profit	70 billion yen
Operating profit ratio	5.0%
Total equity	400 billion yen
Ratio of equity attributable to owners of the parent	approx. 40%
ROE	10% or more
Dividend payout ratio	approx. 30%

*3 As a result of organisational changes in July 2020, Emerging-market Compact Car Business and ACT Business in emerging countries were transferred to the Seat Business Segment.

Toyota Boshoku's Materiality ▶ P.27~30

Issues Relating to Safety, Environment, and Comfort to Resolve through Core Business

1 As an Interior Space Creator we will contribute to people's quality of life, creating comfort, safety, and reassurance through innovation



2 Using our established technical capability, we will contribute to realise a society with no traffic casualties through providing products that assure safety



3 Together with our business partners, we will realise MONOZUKURI innovations that minimise environmental stress



Issues Relating to the People and Organisations that are Our Sources for Exercising Competitiveness

4 We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork



5 We will continue to be a company of integrity trusted by all our stakeholders, inheriting our tradition of fairness and moral behavior to the next generation





Special Feature

Value Creation Story

1

The Story of How the MX191 Came to Be

[From left to right]

Naoaki Hoshihara

Center Chief,
Seat Components Center

Richard Chung

Deputy Center Chief,
Interior Space Visioning Center

Masako Furuta

Division General Manager
Interior Space Planning
& Development Div.

Tomoyuki Takase

Department General Manager
Strategy Planning Department
Seat Strategy & Quality Division

ROAD TO INTERIOR

The MX191 made its debut at the Tokyo Motor Show in October 2019. Taking 'more comfort – more safety – more enjoyment' as its theme, this interior space concept provides comfort and a sense of security during autonomous driving. Many companies announced futuristic concept models at the motor show, but the MX191 is not merely a concept car – it represents the announcement of an automobile interior space that is achievable.

This collaborative project of five Toyota group companies* incorporated the leading-edge technologies from each company seamlessly into the single common space that the MX191 represents. This resulted in a more-realistic interior space that anticipates the era of autonomous driving, enabling the many visitors to the motor show to experience the future scene up close. This concept model also earned high acclaim at CES 2020, which took place in January 2020 and was a venue for creating business opportunity aimed at forging new alliances.

Even if the means of transportation evolve and the way of usage and service change drastically, it will not change how we 'people' are accommodated. Although there are still challenges to bring products to the market, Toyota Boshoku was able to demonstrate its unique technology, which creates an important experience in each passenger's valuable life by pursuing for a comfortable travel space centred around them.

*Aisin Seiki Co., Ltd., Denso Corporation, Toyoda Gosei Co., Ltd., Tokai Rika Co., Ltd. and Toyota Boshoku Corporation



Describing the background of development and innovative functionality of the MX191 at the Tokyo Motor Show



CES 2020, one of the world's largest consumer electronics shows



The Initiative of an Alliance of Five Toyota Group Companies

This marked the first time that five companies in the Toyota group transcended barriers to cooperate in taking up a single project. Moreover, the time from start to completion was less than half a year. These five companies differ not only in areas of operation and technologies possessed but also in corporate culture, and for them to work in concert to accomplish one project in this brief span was by no means easy.



Center Chief Hoshihara recounted this project. 'This was a project to accomplish the conflicting tasks of 'configuring something we can actually provide' and 'creating new value' at the same time. Time and again, the five companies debated this high-hurdle issue posed. Integrating and expressing the everyday research and development that each company carries out was quite arduous'.

'Actually, at the start, all of the project members who were assembled believed there was no possible way to adopt, in such a brief time, a system that incorporates all the technologies in this limited interior space. However, areas that relate to human comfort, such as riding comfort and interior design, are our field of expertise, and this was where we should fly our flag. I believe the technologies that Toyota Boshoku possesses led to tying together the technologies from the other companies'.

SPACE CREATOR

The Significance of the MX191 Project

Hitherto, the role of suppliers was to respond to the needs of automobile manufacturers. However, in this once-in-a-century period of upheaval and industry restructuring, we are expected not only to make requested components as suppliers, but also to evolve as system suppliers that create plans and proposals which anticipate changes and needs. In 2018, we announced that Toyota Boshoku would become an Interior Space Creator that creates new value for space. We wish to provide new value for automobile interior space and take on a portion of the revolutionary changes in mobility-oriented society. It is with this determination that we are tackling challenges.

Because Toyota Boshoku has taken on all the steps of development and manufacturing for seats as well as interior and exterior parts, we are capable of total coordination of all aspects of automobile interior space. The announcement of the MX191 can be deemed a big step forward in our setting out to become an Interior Space Creator.

Henceforth, instead of remaining at the level of exhibiting at motor shows, we shall advance to the level of creating an actual product. As we work to

make the MX191 a reality, collaboration among the companies involved is certain to accelerate. Efforts to advance to the next step have already begun. We are taking comprehensive reassessment from the concept and onward while taking future social change into account, as well as engaging in issue resolution in specific ways as we press ahead with the project.



M X 1 9 1

More comfort	<ul style="list-style-type: none"> ●Pre-Boarding System ●Comfort Control System
More safety	<ul style="list-style-type: none"> ●Active Driver Engagement System ●Safety Monitoring Seat Arrangement System ●Occupant Protection Safety System
More enjoyment	<ul style="list-style-type: none"> ●Multi-Space Utilisation System

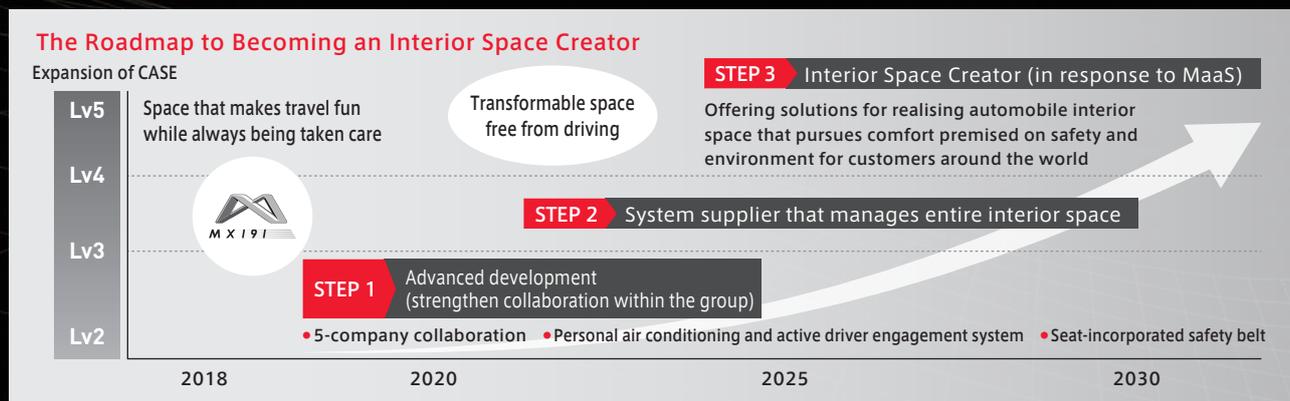
Within the company, this also had special significance in another way.

‘The definition of an Interior Space Creator was not clear-cut, and many members lacked a 100% understanding of the roadmap. Through this project, however, we shared a common vision for the future of the Toyota Boshoku group that transcended the barriers and differences in hierarchy levels among different company units, and got a real sense of what an Interior Space Creator is and what we ought to do to become one. This translated into greater confidence among project members, and henceforth these members are to take on the role of communicating a concrete vision of the future to company members not directly involved in the current project. As the entire workforce, with the project members at the core, moves ahead as one towards becoming an actual Interior Space Creator, the company will be able to grow stronger’, notes Hoshihara. The blueprint for attempting to become an Interior Space Creator can also be dubbed an opportunity for in-house communication.

Aiming to Become an Interior Space Creator

Center Chief Hoshihara closed with this response. ‘What does Toyota Boshoku becoming an Interior Space Creator mean for the society? Because it is we who are doing this, and not some other company, we are able to provide users with the most comfortable and pleasant automobile interior space. That is what is paramount for the user. This is what we believe. We should like to add impetus to our efforts to be useful to society and make a social contribution. There are many issues, such as how to make the technologies announced with the MX191 into actual systems and how to proceed with volume production, and we still have a long way to go before society recognises this as a business. But we are stepping forward, one foot after the other, as we confront these issues’.

Do you now have a real sense of the vision of the future for Toyota Boshoku as the company moves towards becoming an Interior Space Creator through the thoughts and approaches applied to development of the MX191?



The MX191 As Recounted by Members of the Development Project

The Half Year Development Period

Furuta Amid the lack of time and having no fully formed concept, project members proceeded with making our intentions consistent through a 'why-how-what' way of thinking, for a storyline that would be easily shared by the team. Through this, we spent many hours in a project that transcended barriers among in-house units and different companies, but I believe that all project members were able to work while maintaining a shared awareness, and we succeeded in accomplishing development within this short time.

Takase The 'why-how-what' way of thinking proved to be persuasive with respect to the group companies. Instead of a top-down arrangement,

I think that the top level was integrated with the respective coordinators, and the project became one in which we were able to move with a sense of speed.

Essential Elements of Development

Richard We considered whether market needs were being met. Development for autonomous driving focuses almost entirely on maneuverability – the way the car moves, stops, and turns. Amid this, Toyota Boshoku is the only company to address the matter from the standpoint of the interior space during autonomous driving. We developed 6 systems that incorporate over 45 innovations.



We combined these individual innovations and expressed optimal provided value that delivers comfort, enjoyment and safety.

Takase Prior to MX191, we moved ahead with development for systems that inhibit sleepiness and provide comfort. That's fine as an independent system, but with the MX191, while on the one hand the seats can be arranged to match different situations, such as where all occupants can experience fun and converse easily during autonomous driving, the seats automatically move dynamically, and so there was a risk in making customers uneasy. This was not something we could address all by ourselves, and so we had constant discussions with the other companies and remained thoroughly committed to building up something that customers would truly feel to be comfortable.

Collaborative Group Effort

Furuta Although we're all members of the same Toyota group, the cultures are not the same. Where we place effort and how we decide things also differ. In this case there was a sense of solidarity in the race against time during the short period, but value as an Interior Space Creator is not created by just a single company – rather, further new value is produced by multiple companies brought together. I feel we were able to drive home the point that Toyota Boshoku is the one to think about how to create and express this. I believe that we should not end our cooperation with just this project, but continue on with technical development.

Richard Each company has a different concept of what offered value is, and so it was quite difficult to move ahead with a form that all project members were satisfied with. With this MX191, we held discussions time and again with the other companies on the matter of 'the value that we offer'. Toyota Boshoku can't accomplish it just by ourselves, and we can't do it separately. Amid this, with the portion that Toyota Boshoku carried and the cooperation of the other companies, we were able to build a foundation for the success of the MX191.

What Lies Ahead for the MX191

Richard MX stands for 'mobility experience' – the experience you get through automobile interior space. We tackled the MX191 with a target of 2025 to 2030, but as for what solutions we shall need to produce with respect to a changing mobility society, we'll continue thinking about the next scenarios and the coming future, taking this MX as the foundation.

Furuta The MX191 signifies the first model of 2019. As its name suggests, we shall keep going in 2020 and into 2021 and beyond. In the transitions in CASE, there is also change in demand from interior space for ownership to interior space for share service. We are continuing to think about what new value to put out in the world. Meanwhile, there is also the matter of establishing this as a commercial operation, and I think we need to prepare an approach for expanding our business field.

What Was Gained Through the Project, and the Goals from Here on Out

Richard At Toyota Boshoku, the teamwork is fantastic. I was quite impressed. I'd like for these project members to continue to take the lead in the steps to become an Interior Space Creator.

Furuta We were able to get a reasons sense of how becoming an Interior Space Creator is a chance to be able to provide value in interior space. I'd like to work towards the goal of 'finding new value and making it a reality in 2025'.

Takase I was struck by how well Toyota Boshoku performed. One big thing is that I got the solid feeling that as long as we have these Toyota Boshoku members, we'll be able to get things done from here on out as well. Everyone came away with the awareness that if we don't overcome organisational barriers and barriers between companies and work together, we can't achieve becoming an Interior Space Creator. I'd like to connect this to what we do henceforth, including what we want to make real in the near future and what we hope to realise in the distant future.



The Challenge of Evolving Towards MONOZUKURI



[From left to right]

Hirotsugu Kobayashi

Field Chief
Safety Health & Environment Field
Production Control Field

Shinji Kano

Executive Vice President

Hiroshi Ioki

Segment Chief, Japan Region Segment

Tadashi Itami

Field Chief, Quality Field

The MONOZUKURI Innovation Center opened at the Sanage Plant in Toyota City, Aichi Prefecture, in January 2020. For Toyota Boshoku, which has inherited the thoughts of founder Sakichi Toyoda and offers products that are ahead of the times for the world and for people, having integrated functions extending from design to development, prototype, production engineering, quality, and manufacturing along with possessing wide-ranging production processes that include metal stamping, resin forming, and assembly are a major strength. Meanwhile, in the current time of change for the market environment and customer needs, it is more imperative than ever that we strengthen our competitiveness. We spoke about MONOZUKURI innovation for strengthening our competitiveness by leveraging this center with Executive Vice President Kano, who has worked to strengthen production engineering and production capabilities, along with Segment Chief Ioki, Field Chief Kobayashi, and Field Chief Itami.

Strengthening the Competitiveness of MONOZUKURI

Kano As activity under strengthening the competitiveness of MONOZUKURI – one initiative in the 2020 Mid-term Business Implementation Plan – I have been pressing forward with strengthening our production engineering and production capabilities in solidifying our footing, and with MONOZUKURI innovation, which will bear on our future competitiveness. In strengthening our production engineering and production capabilities, we are devoting effort to standardising processes through shop-focused activities (production process-specific standardisation

activities). We are ensuring in-process quality and movability through standardisation, and through PMR*¹ activities, we're promoting plant independence and localising operation. Also, as MONOZUKURI innovation, we are advancing actualisation of IoT and process innovation. In fiscal 2020, we made the Sanage Plant a model plant and implemented IoT to visualise equipment abnormality and stoppage information. We are rolling this out to other plants in Japan in 2020 and will also do so for plants around the world in 2022, and aim to complete implementation by 2025. What's more, in seat-manufacturing processes, we are promoting partial automation and achievement of high quality in welding, seat-cover sewing, and seat-assembly appearance inspection. These efforts are also connected to fostering the human resources that will become the capital for future growth strategies.

*1 PMR: Plant Management Requirements

Kano As we move towards further-going strengthening the competitiveness of MONOZUKURI, we shall make full use of this MONOZUKURI Innovation Center to create high productivity and high quality by standardising processes around the world through further deepening of IoT, digital engineering, and the like as well as acceleration and rapid global deployment of process innovation that uses AI, robotics, and other such technology. We're also working to realise global collaboration for MONOZUKURI information.

Ioki With respect to optimal production, for strengthen our profit structure, one of the initiatives of the 2020 Mid-term Business Implementation Plan, we are moving ahead with reorganising production bases, concentrating and decentralising production, and streamlining supply



chains. In Japan, to enable us to respond flexibly to fluctuations in supply and demand, we're working to enhance the flexibility of the production systems in the entire supply chain, and are advancing discussions of reorganisation strategies for North America and China as well. We shall continue to accelerate configuration of optimal production systems globally.

Kobayashi We are also tackling realignment of logistics in synchronisation with production-base reorganisation. Through moves such as improving loading efficiency and reconfiguring distribution routes, we are promoting the creation of logistics that accommodate changes in the market and in quantities and is also environmentally friendly, and are working to strengthen our competitiveness and make full use of expanded distribution resources.

The Aims of Establishing the MONOZUKURI Innovation Center

Kano The MONOZUKURI innovation part of the name of the MONOZUKURI Innovation Center does not mean just manufacturing, but also signifies actualising MONOZUKURI of high competitiveness by integrating all processes from development through to production engineering, quality and plants, and MONOZUKURI expert knowledge through *Genchi-Genbutsu*. By collecting production information from 97 companies in 26 countries and regions and utilising it as big data, it becomes possible to construct and share production systems of higher quality. We aim to be an organisational headquarters for technology and MONOZUKURI as a sourcepoint that creates products offering added value as well as model lines showing the form of next-generation MONOZUKURI that melds the technologies and knowledge Toyota Boshoku has built up heretofore with AI, automation technology, IoT, and other leading-edge technical means.

Ioki Broadly speaking, there are six specific objectives. These are the elements of quality improvement, greater efficiency in production and manufacturing preparations, and fostering human resources for solidifying our footing, and the elements of IoT implementation, strengthened cooperation among functional units, and innovative process development for future growth. We are working to create connecting plants that link customers, plants, people, regions, and even the environment, and are tackling MONOZUKURI throughout the entire supply chain.

Kobayashi Fostering human resources is one of the major missions of the MONOZUKURI Innovation Center. We are continuing to boost technical skills even as we making practical use of Toyota Boshoku's original technologies as well as robotics knowledge, AI, and other leading-edge technologies. What's more, to increase awareness of safety and quality, we conduct a variety of trainings at the Center that targets all company members, thereby raising ability levels.

Itami With respect to the matter of ensuring quality, we have newly established a vehicle examination site, set up a permanent claim analysis site, and relocated the Global

Quality Learning Center (GQLC). When some problem occurs, the persons charged with quality, development, and production engineering gather at the claim analysis site and work to identify causes and prevent recurrence. At the GQLC, it is possible to hear the actual views of automobile dealers and end users, and training that enables understanding of the importance of customer thinking and quality is conducted. To improve product quality, of course, but also the quality of the processes that make things (task quality), we promote TQM^{*2} activities, and with 'customer first', 'total participation', and 'continuous improvement' as the base, we are aiming to help organisations, processes, and people acquire capabilities.

*2 Total Quality Management: Activities grounded on the basic principles of customer first, total participation and continuous improvement intended to boost the vitality of people and organisations and even to enhance customer creativity and satisfaction so as to maintain a flexible and robust corporate constitution.

Social Responsibility and Consideration for the Environment - Also Aspects of MONOZUKURI

Kano In order to carry out MONOZUKURI with a competitiveness over our corporate competitors, I consider it important for the functional elements of development, production engineering, quality and manufacturing to cooperate with greater strength and to aim for MONOZUKURI that is highly competitive. I'd like to pursue development of unique technologies and become a company that can present sustainable growth on into the future. The perspective of Sustainable Development Goals (SDGs) is essential to achieving sustainable growth. I believe we must carry out efforts from a variety of angles, including MONOZUKURI for offering safe products, MONOZUKURI for protecting the safety and security of company members, and MONOZUKURI that gives consideration to the environment.

Kobayashi At Toyota Boshoku, we formulated our 2050 Environmental Vision in 2016, and we're carrying out MONOZUKURI that gives consideration to the environment. Each fiscal year we have been deciding on target values and putting effort into such moves as reducing CO₂ and water usage, including daily *Kaizen* as well as production engineering and development, and use of renewable energy. We have been reaching our targets every year, but because it's anticipated that a simple extension of conventional methods will come to be no longer enough, we are pressing ahead with even more MONOZUKURI innovation as we move towards realising our 2050 Environmental Vision.

Toyota Boshoku, aiming to be an Interior Space Creator, is putting the MONOZUKURI Innovation Center to active use on a foundation of MONOZUKURI, and by advancing efforts that are not a linear extension of activity heretofore, will accelerate growth and enhance corporate value.

Completion of the Main Building and Movement Towards the Next 100 Years

Yasuhiro Fueta

Operating Officer
Segment Chief, Corporate & Profit Management Segment
Department General Manager,
BR Global Collaboration & Management Dept.



Toyota Boshoku celebrated the company's 100th anniversary in 2018, and to make growth in the coming century more certain while succeeding our history and traditions, we constructed the main building at the Global Mainstay Hub in Kariya. By putting the main building to use, we intended to make our global business foundation even more solid and accelerate to accomplish our growth strategy. As a site for centralising our corporate functions, as a hub for strengthening collaboration inside and outside the company, and as a part of contributing to the community – the Global Mainstay Hub holds significance in myriad way. We asked Segment Chief Fueta more details of the functions.

Heritage & Innovation

The main building embodies our intent to 'look back upon the past hundred years of MONOZUKURI and regard its current state, then create a place where we can think about our future based on the Principles of Toyoda'. In the sense of succeeding history and tradition, we also constructed a commemorative history museum at this site and plan to start its operation in the future, not only to utilise it for our company member's training, but also welcome the general public to the site to show our history and tradition. Industry changes with the transitions of the times, but we will continue to succeed Sakichi Toyoda's way of thinking.

That said, current changes in the structure of industry are rapid, and to maintain sustainable growth on into the future, in addition to strengthening the functions of the Toyota Boshoku group's Global Mainstay Hub, strengthening collaboration both inside and outside the company is essential. Once a year, we host a 'Global Week' that brings members including the top management in the world, as well as the next generation leaders together, under one roof. Along with learning about Toyota Boshoku's historical position at the main building and the commemorative history museum, we want for

participants to recognise their own roles and disseminate this continuing history and tradition leading to the future at their own bases of operations. Further, by providing a forum where a variety of people can gather and discuss things, we are facilitating opportunities for innovation that will take us into the future. We are augmenting the functionality that connects people and information globally so that the main building is not just for company members in Japan, but also for company members at bases of operations throughout the world.

Function 1: Advancement of Corporate Management

The Toyota Boshoku group has approximately 50,000 members, as well as plants around the world. I hope for these 50,000 people to use a wide range of data to connect as a single team. In specific terms, we will gather data on safety, quality, personnel, finance, sales, procurement, productivity, and other matters at the main building, with executives and managers as well as rank and file company members sharing this data globally. Through this, we will be able to visualise all kinds of information for each individual product, business, and region, which will help us make timely business decisions and enhance the speed of on-site *Kaizen*, as well as sharing *Kaizen*. By creating a system that accumulates data extending from planning to production, we will achieve greater sophistication in corporate management on a global basis.

The main building is also a centre for risk management. We have realised the physical infrastructure that will enable us to respond to the risk of various disasters. Ultimately, however, it comes down to people. We are also devoting effort to training human resources capable of conducting risk assessment and responding to risk.



Function 2: Strengthening Internal and External Collaboration and Fostering Interchange

The first and second floor are open spaces that allow discussion, and the mezzanine is also provided with spaces for meetings. These areas can be used as places for lively discourse by all persons regardless of nationality or corporate affiliation, and they can also be used by individuals concentrating on a specific task. Also, our origin business is spinning and weaving, and in these open spaces we have established 'Cocoon'* that symbolises our interweaving of mobility, people and society. We made this an environment where people can place themselves amid a sense of the extraordinary and come up with new ideas. Through discussions with a diverse range of persons, people will be stimulated and apply this to their own jobs. If someone is at an impasse, he or she can ponder on the terrace the meaning of history, the meaning of the work, and colleagues capable of resolving difficulties while regarding the forest where a statue of Sakichi is located. What is 'work directed towards the coming century'? I want for everyone involved to make active use of the main building with a critical awareness.

We are aiming to become an Interior Space Creator. I should like to make this a place where we exchange diverse views with a variety of people regardless of domain, and together stimulate innovation for the future.

*Discussion room in the motif of a cocoon



Innovation Plaza and Cocoon

Function 3: Contributing to the Community

To fulfil our role as a disaster prevention base for the regional community at the time of a disaster, Toyota Boshoku has installed equipment for power generation, water supply, sewage, and other functions, making it possible for us to accept evacuees. We are also giving consideration to the environment in the form of energy-saving offices that implement leading-edge systems for natural lighting, natural ventilation, and other measures. Moreover, by providing an environment with air conditioning as well as illumination whose intensity and colour change according to the time of day, we are sustaining the health of the persons working in the offices and supporting enhanced task productivity. (▶ see page 58.)

We plan to hold a historical exhibits at Kariya area that will showcase Toyota Boshoku, the Toyota group, and Japan's automotive industry. Here in this Kariya area, many people of the community have supported Toyota Boshoku directly or indirectly for a hundred years. My hope is that such people of the community will look back the history and perceive the development from the textiles that Sakichi inceptioned to the new industry of automobiles as well as our continuation of the Principles of Toyoda that represent Sakichi's founding spirit.

Fostering the leaders who will clear a path to a new future and giving rise to new collaboration and business through visits and discussions by a diverse array of people – my fervent hope is that the main building will be a springboard for this.

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The main building, established in Kariya and celebrating a century since the company's founding – the Global Mainstay Hub for continuing sustainable growth and pressing ahead towards a strong and resilient Toyota Boshoku.



Seat Business

Producing Attractive Products as an Industry-Leading Seat Professional



Segment Chief,
Seat Business Segment
Segment Assistant Chief,
New Business
Promotion Segment

Masanobu Ishikawa

SWOT Analysis	
Strength <ul style="list-style-type: none"> ● Stable business as a seat system supplier ● Collaborative structure with Toyota group companies ● High potential derived from business integration and business alliances 	Weakness <ul style="list-style-type: none"> ● Activities to receive orders from new customers ● Internalisation of new technologies required for CASE and MaaS
Opportunity <ul style="list-style-type: none"> ● Possibilities of seats in conjunction with the transition to autonomous driving ● Opportunities for strengthening collaboration 	Threat <ul style="list-style-type: none"> ● Trend towards global mega-suppliers ● Entry into CASE and MaaS from other industries



Initiatives in fiscal 2020

Strengthening competitiveness involves liaisons inside and outside of the Toyota group

Pursue the possibilities of seats in conjunction with the transition to autonomous driving <ul style="list-style-type: none"> ● Review for realising functions of the MX191 while envisioning next-generation mobility ● Collaboration with Toyota group companies 	Bolster competitiveness to counter global mega-suppliers <ul style="list-style-type: none"> ● Establish Toyota Boshoku AKI USA, LCC, a joint venture with Delta Kogyo Co., Ltd. and Toyo Seat Co., Ltd. in North America for MTMUS ● Strength collaboration with Tachi-S Co., Ltd.
Seats that are suited to their application <ul style="list-style-type: none"> ● Easy Return Seat Function for driver's seat in Toyota Yaris ● One-touch Walk-in mechanism for Mazda CX-8 	Construction of a global production system <ul style="list-style-type: none"> ● Complete global deployment of the TNGA*1 framework ● Complete a model line considering production innovations such as IoT and automation

*1 Toyota New Global Architecture: Structural reform of automobile manufacturing implemented by Toyota Motor Corporation in an effort to dramatically improve the basic performance and product appeal of cars.

Strategy for the future

Create seats with advanced engineering capability that lead the seat industry in order to create the automobile interior space required for next-generation mobility

Pursue the possibilities of seats in response to CASE and MaaS <ul style="list-style-type: none"> ● Provide new value in automobile interior space 	Promote global optimal production <ul style="list-style-type: none"> ● Enhance competitiveness by consolidating and automating production processes 	Strengthen ties with other companies <ul style="list-style-type: none"> ● Bolster competitiveness to counter global mega-suppliers and lead the industry
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Action Plan for fiscal 2021

- Strengthen integrated systems from material development and product planning to complete seats
- Strengthen electronic components and control system fields
- Promote ordering activities by utilising regional sales offices across the global
- Optimise the global production system
- Further strengthen ties with other companies

Interior & Exterior Business

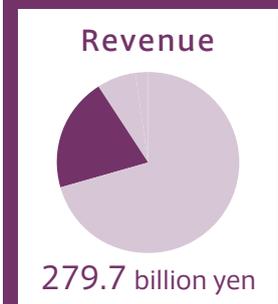
Accelerating the Creation of Attractive Mobility Space by a Structure and Proposal Capabilities for Coordinating Entire Interiors



Segment Chief, Interior & Exterior Business Segment
Segment Assistant Chief, New Business Promotion Segment

Seiji Teraji

SWOT Analysis	
Strength <ul style="list-style-type: none"> ● A structure and proposal capabilities for total interior coordination ● Production engineering for achieving high quality ● Global supply structure 	Weakness <ul style="list-style-type: none"> ● Response capabilities to new customers ● Competitiveness of existing products
Opportunity <ul style="list-style-type: none"> ● Respond to next-generation mobility ● Modularisation of products 	Threat <ul style="list-style-type: none"> ● Entry from different industries ● Acceleration in technological innovation ● Competitiveness of global manufacturers in China, etc.



Initiatives in fiscal 2020

Rebuild business model as an interior system supplier

Evolve as an interior system supplier <ul style="list-style-type: none"> ● Initiate a significant expansion in the range of future parts development 	Optimise production and development systems for each region <ul style="list-style-type: none"> ● Consolidate and agree upon concepts for the concentration and decentralisation of large injection moulded parts such as main and lower boards ● Conduct agreements with development bases regarding roles, including training plans, and start initiatives
Strengthen development capability to increase the added value of the entire automotive interior <ul style="list-style-type: none"> ● Strengthen development capability for noise, vibration, and heat insulation to respond to the spread of electric vehicles ● Strengthen proposal capabilities for lighting and illumination of doors and headliners 	

Strategy for the future

Evolve into a true interior system supplier and become a coordinator of the total automobile interior space

Accelerate our evolution as an interior system supplier <ul style="list-style-type: none"> ● Refine design capability for automotive interior space and package planning ability ● Promoting proposals for the entire interior package as well as the development of MX191 	Expand business field <ul style="list-style-type: none"> ● The first step is to apply our accumulated know-how and technology to obtaining orders for components. Since evaluation is high and our technology is widely respected, we can then proceed to the next step: expanding our area of operation.
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Action Plan for fiscal 2021

- Expand our parts field as a system supplier
- Start development of system suppliers in North America
- Strengthen cost competitiveness
- Achieve 30% reduction in development man-hours
- Continue cost reduction activities

Unit Components Business

Promoting New Business Based on Core Technologies While Advancing Product Development in Anticipation of the Age of Electrification



Segment Chief,
Unit Components
Business Segment
Segment Assistant Chief,
New Business Promotion Segment

Shoji Adachi

SWOT Analysis

Strength

- Performance and cost competitiveness of existing products
- New product development capability that utilises core technologies (precision press processing, resin moulding, production technology for filter materials)

Opportunity

- Expand demand for related parts by promoting electrification of vehicles

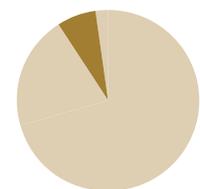
Weakness

- Maximum use of existing product equipment
- Insufficient recognition for electrified parts and fuel cell parts

Threat

- Increased speed of market electrification
- Entry of new suppliers

Revenue



97.5 billion yen

Initiatives in fiscal 2020

Strengthen existing and new business competitiveness, and evaluate technological capabilities

Existing businesses

- | | |
|----------------------------------|---|
| Filter products | <ul style="list-style-type: none"> ● Augment lineup of good and reasonably priced parts for oil filter, cabin filter, and air filter markets ● Develop an original brand in aftermarket services in China and Thailand |
| Air induction system resin parts | <ul style="list-style-type: none"> ● Expand sales by enhancing performance and price competitiveness ● Expand the Miyagi Plant (operated by our subsidiary Toyota Boshoku Tohoku) and strengthen the production system for unit parts |

New businesses

- | | |
|----------------------------|--|
| Motor core | ● Adopt a small motor core for the new model Yaris and start mass production |
| Fuel cell related products | ● Introduce facilities for increasing production of fuel cell separators |
| Lithium ion batteries | ● Establish a pilot line at the Kariya Plant |

Strategy for the future

Grow into Toyota Boshoku's next-generation pillar business by responding to CASE and electrification

Capture the No. 1 position against competitors

- Further deepen our filtration technology and expand application
- Secure overwhelming competitiveness through production engineering for resin parts

Expand sales of existing products and grow new businesses

- Expand sales of original brands
- Increase new orders for air induction systems
- Further internalise mass production technology for production of lithium ion batteries

Action Plan for fiscal 2021

- Innovation of vibrant work style and human resources development
- Further improve performance and expand sales of existing products
- Build a global production system to minimise investment for responding to expanded sales of existing products
- Prepare for further increase in production of fuel cell parts
- Promote mass production of motor cores
- Examine prospects for small-lot production of lithium ion batteries and obtain new orders

New Business Promotion

*As a result of organisational changes in July 2020, Emerging-market Compact Car Business and ACT Business in emerging countries were transferred to the Seat Business Segment.

Creating Strategies for New Businesses and Promoting the Establishment of Business Management and Promotion Structures to Drive Sustainable Growth of the Toyota Boshoku Group

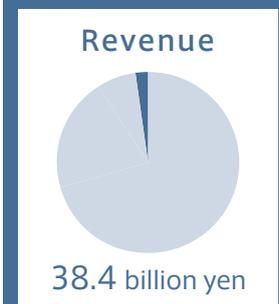


Executive Vice President Segment Chief, New Business Promotion Segment Center Chief, Interior Space Visioneering Center

Takashi Yamamoto

SWOT Analysis

<p>Strength</p> <ul style="list-style-type: none"> ● Know-how and technical capability cultivated in existing businesses such as seats ● People-centred development capability 	<p>Weakness</p> <ul style="list-style-type: none"> ● Cost competitiveness ● Lack of development and sales resources, internal system respond to sales expansion
<p>Opportunity</p> <ul style="list-style-type: none"> ● Expanding demand for compact cars, aircraft seats, and airbags ● Enhance UX* value <p><small>*User Experience: Experience that users can obtain through products and services</small></p>	<p>Threat</p> <ul style="list-style-type: none"> ● Intensifying competition



Initiatives in fiscal 2020

Acquiring business outside both Toyota Motor Corporation, and the automobile industry itself

<p>Emerging-market Compact Car Business Center</p> <ul style="list-style-type: none"> ● Apply the know-how cultivated in the Toyota business ● Launch of framework for compact cars in emerging market 	<p>ACT (Aircraft & Train) Business Center</p> <ul style="list-style-type: none"> ● Obtain orders for two new models from All Nippon Airways Co., Ltd. (ANA) ● Conduct sales expansion activities to corporations other than ANA
<p>Textile Business Center</p> <ul style="list-style-type: none"> ● Determine future direction of airbag business 	<p>Establish Interior Space Visioneering Center</p>

Strategy for the future

Create Toyota Boshoku's future by sowing seeds and proposing product development to meet the needs

<p>Emerging-market Compact Car Business</p> <ul style="list-style-type: none"> ● Pursue good and reasonably priced products for expanding new customers 	<p>ACT Business</p> <ul style="list-style-type: none"> ● Promote sales expansion activities in the Asian market 	<p>Textile Business</p> <ul style="list-style-type: none"> ● Expand business domains by utilising the fibre technology cultivated as the origin of Toyota Boshoku 	<p>Interior Space Visioneering</p> <ul style="list-style-type: none"> ● Become an Interior Space Creator by identifying new business opportunities
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Action Plan for fiscal 2021

<p>[Emerging-market Compact Car Business]</p> <ul style="list-style-type: none"> ■ Expand markets in India and Indonesia <p>[Textile Business]</p> <ul style="list-style-type: none"> ■ Utilise our unique technology to expand business and evolve products for the airbag business 	<p>[ACT Business]</p> <ul style="list-style-type: none"> ■ Continue sales promotion activities and develop international flight specifications <p>[Interior Space Business]</p> <ul style="list-style-type: none"> ■ Create a roadmap for commercialisation of MX191 technology
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Progress and Results of the 2020 Business Plan

The Toyota Boshoku group devised the five-year 2020 Mid-term Business Implementation Plan in 2016, and has pressed forward with action in line with the plan's three pillars of 'Corporate Growth While Fulfilling Our Responsibility in Harmony with Society', 'Sustainable Growth', and 'Enhance Our Corporate Value on a Mid-to-Long-Term Basis'. Structure strengthening has advanced through the work made heretofore, and favorable results are appearing in terms of finance as well, but issues still remain. Fiscal 2021 is the final fiscal year of the 2020 business plan. We shall be verifying the progress of the measures that address the planned goals and the results achieved so far, and link this to the 2025 mid-term business plan.

Business Target

We devoted effort to structuring a system capable of responding flexibly to changes in demand, and our earning power has improved steadily. We strove to expand sales by accelerating the addition of more dimensions to offer value and the expansion of business fields, and certain results are beginning to appear. However, the impact of the spread of COVID-19 makes for a tough environment in which to reach our 2020 business targets.

Item	FY2020 results	FY2021 target
Revenue	1,372.6 billion yen	1,400.0 billion yen
Operating profit	47.7 billion yen	70.0 billion yen
Operating profit ratio	3.50%	5.00%
Total equity	321.7 billion yen	400.0 billion yen
Ratio of equity attributable to owners of the parent	37.30%	approx. 40%
ROE	8.50%	10% or more
Dividend payout ratio	40.60%	approx. 30%
Capital investments	58.7 billion yen (Total:120 billion yen)	Total:180 billion yen (FY2019-FY2021)
R&D costs	45.9 billion yen (Total:92.8 billion yen)	Total:140 billion yen (FY2019-FY2021)

Fiscal-year Key Issues for FY 2021

We narrowed down to four issues remaining for accomplishing 2020 Mid-term Business Implementation Plan, and made them key issues for fiscal 2021. We will work to accommodate wildly fluctuating demand and secure profits even as we work to prevent the spread of COVID-19, and together with this, accelerate the countermeasures to become an Interior Space Creator as we move towards expanding business fields.

1 Aim to become an Interior Space Creator leading new value creation

2 Solidify development, production and supply systems to strengthen MONOZUKURI competitiveness and profitability

3 Accomplish building resilient management foundations and systems

4 Improve operational quality of all work performed by activities leading to the Deming Prize



2025 Mid-term Business Plan

2020 Mid-term Business Implementation Plan

Items of the 2020 Mid-term Business Implementation Plan			Progress and Results of Effort to Date	
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"> ■ Management Advisory Council for strengthening corporate governance ■ Formulate materiality for contributing to a sustainable society 	
	Environment		<ul style="list-style-type: none"> ■ Promotion of the 2020 Environmental Action Plan with focus on the 2050 Environmental Vision 	
Sustainable growth	Strengthen competitiveness	Develop new technologies and new products towards 2030	Comfort Safety Environment	<ul style="list-style-type: none"> ■ Promotion of technical development to control suitable status for passengers by stimulation of five senses + air quality ■ Proposal, as the MOOX^{*1}, of space planning oriented towards MaaS spaces and smart cities ■ Creation of the seeds of new business, including plant-growing and animal-rearing methods using tidal forces ■ Move to full-fledged production of motor cores for hybrid vehicles ■ Establishment of a pilot line for production of high-output lithium-ion batteries
		Manufacturing Innovations towards 2030	Affection Trust Reassurance	<ul style="list-style-type: none"> ■ Implementation of equipment operation monitors for predictive maintenance, with real-time visualisation of production information ■ Establishment of the MONOZUKURI Innovation Center to serve as a hub for global cooperation involving technology and people ■ Advancement of measures to reduce personnel, including adoption of automatic inspection of seat exterior appearance
	Further enhance our fundamental capabilities in manufacturing		Strengthen capabilities	<ul style="list-style-type: none"> ■ 26% reduction in development man-hours through development of human resources using skill maps ■ Strengthened cooperation with research and development centers in each region
			Strengthen production and capabilities	<ul style="list-style-type: none"> ■ Continued promotion of process standardisation oriented towards improving quality and productivity ■ Promotion of plant autonomy with analysis of strengths and weaknesses in daily plant control for safety, quality, production, etc.
	Strengthen profit structure		Evolve system supplier system	<ul style="list-style-type: none"> ■ Revision of interior system supplier's setup and programmes, and trial launch of model projects
			Rebuild business structure in Japan	<ul style="list-style-type: none"> ■ Integration of seat-frame operations and streamlining of production and logistics ■ Strengthened asset-management capabilities through visualisation of the consolidated profit structure ■ Promotion of efficient utilisation through sharing of business resources
	Strengthen management foundation	Build a resilient business structure		<ul style="list-style-type: none"> ■ Revision to a robust business continuity plan ■ Reorganisation of production and logistics to enable flexible response to changes in demand ■ Identification of anticipated risks with respect to fluctuations in currency exchange rates and the financial environment, and strengthened response actions
		Create a global management foundation	Develop a management information infrastructure	<ul style="list-style-type: none"> ■ Enhancement of the management structure and stepwise adoption of an ERP^{*2} system
			Create a vibrant work environment where diverse people can fully demonstrate their abilities	<ul style="list-style-type: none"> ■ Promotion of use of global human resources and of establishment of efficient organisations through control of personnel numbers ■ Realisation of flexible and efficient ways of working through such measures as adopting mobile, Skype, Teams, and teleworking

*1 MOOX: A combination of the words Mobile & Box denoting a private space that can be utilised freely while in motion

*2 Enterprise Resource Planning: A cross-organisational core system that manages company-wide information in a unified manner and aim to make effective use of management resources

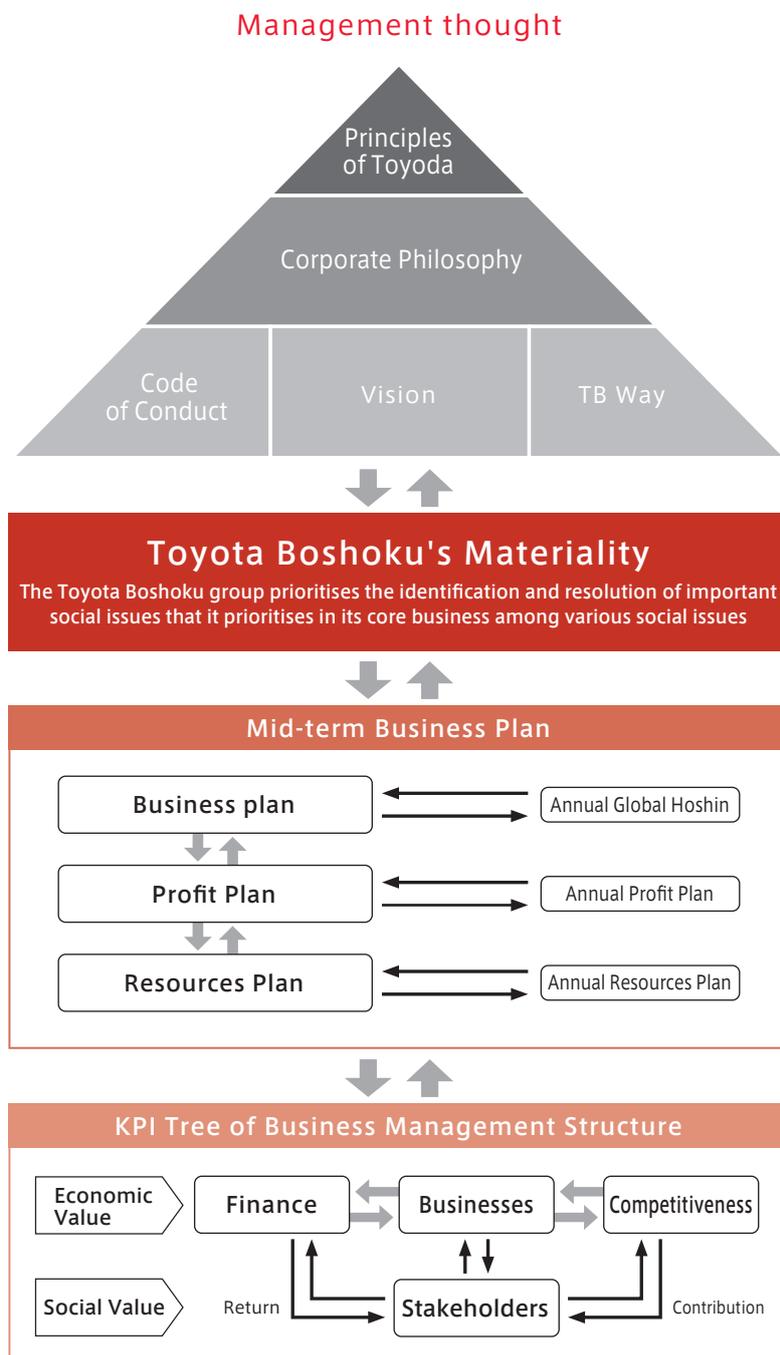
Toyota Boshoku's Materiality

At the Toyota Boshoku group, as we strive to transform from CSR*¹ to CSV*² management, we have been enhancing our corporate value by contributing to the realisation of a sustainable society through our core business. This way of thinking can be deemed the business spirit of 'for the world and for people', inheriting for generations from the Principles of Toyoda that are Toyota Boshoku group's company creed.

In moving towards enhancing corporate value, we formulated the materiality as 'the Toyota Boshoku group prioritises the identification and resolution of important social issues that it prioritises in its core business among various social issues'.

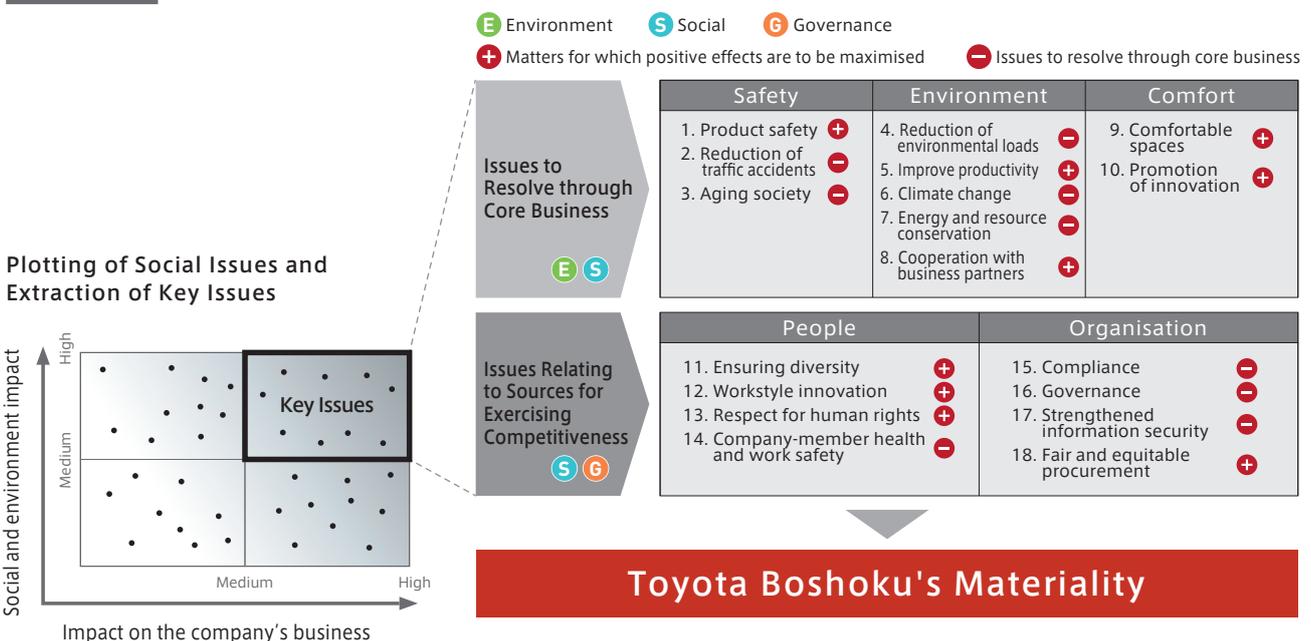
Toyota Boshoku's materiality is periodically reviewed by the CSV Promotion Meeting, which takes changes in the business environment into account and effects appropriate revisions. We also devised a mid-term business plan oriented towards achieving materiality, and are monitoring progress and conducting follow-up by means of the KPI Tree of Business Management Structure.

*1 Corporate Social Responsibility *2 Creating Shared Value



Materiality Formulation Process

During the period from April 2019 through July 2020, we formulated Toyota Boshoku's Materiality, with successive communication with top management at every step (27 instances).



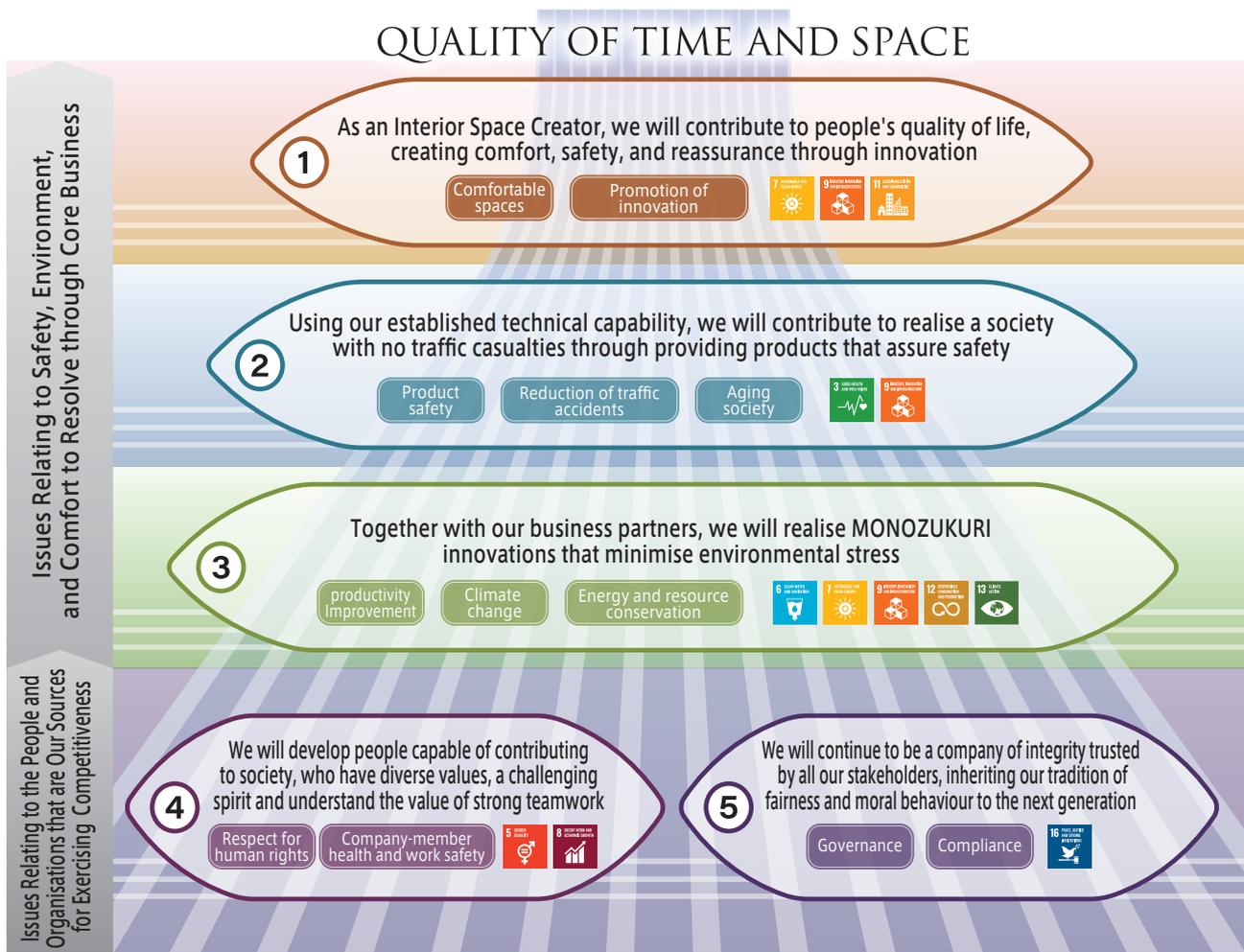
Way of Thinking Behind Materiality

- ① The dual structure to resolve 'Issues Relating to Safety, Environment, and Comfort to Resolve through Core Business' and 'Issues Relating to the People and Organisations that are Our Sources for Exercising competitiveness'
- ② Stratification into 'maximising positive impacts' so as to enrich people and daily lives, and 'minimising negative impacts' so as to avoid risk



Identification of Five Aspects of Materiality

Toyota Boshoku's Materiality



<Description of the Figure> The warp thread represents society, and the weft thread represents Toyota Boshoku. The five aspects of materiality are shown by the shuttle, and this expresses Toyota Boshoku's efforts to achieve our Vision and create a sustainable society through our core business.

TOPICS

Materiality Working Sessions (10 Times in All)

To formulate our materiality based on the opinions of our company members, we started a working group. Through 10 working sessions over 4 months, 16 persons chosen from the business groups and business segments carried out step 1, 'understanding of social issues', through step 5, 'verification of validity', of the materiality formulation process (▶ see page 28.). After many heated discussions, each member announced his or her passions to materiality at the CSV Promotion Meeting.



In the working sessions, the company's future was discussed with members of various departments. Member motivation ran high, and it was possible to move forward with discussions giving full play to the features of the respective areas of the company. It was a great experience for me to think about the future of products, society and governance beyond the framework of my job 'Environment', with the aim of solving issues through the company's core business. I feel that this materiality reflects the views of company members and is quintessentially of Toyota Boshoku. Henceforth, through concrete efforts, I'd like to contribute to realising a sustainable society.

Aya Tsuboi Senior Specialist, Global Safety·Health & Environment Div.



Mapping social issues

The Meaning and Concepts of Materiality

Together with further arranging and organising the meaning and concepts of Toyota Boshoku's Materiality, we shall devise the 2025 mid-term business plan oriented towards realising Toyota Boshoku's Materiality.

Issues Relating to Safety, Environment, and Comfort to Resolve through Core Business

<p>1 As an Interior Space Creator, we will contribute to people's quality of life, creating comfort, safety, and reassurance through innovation</p>	<p>Toyota Boshoku group has grown from the textile business to the automotive interior business, contributing to enhancing safety and reassurance in daily lives for the world and for people, and will evolve into an Interior Space Creator providing products and services such as those that make use of biological information from sensors to achieve comfort, which is the ability of people to live without unease and true to their own selves (i.e., to achieve smart cities).</p>	
<p>2 Using our established technical capability, we will contribute to realise a society with no traffic casualties through providing products that assure safety</p>	<p>To contribute to the ambitious target of a society of 'zero traffic casualties', we will continue to offer high-quality, high-safety products (integrated seats, seatbelts, airbags, and other such products) and services that make full use of R&D that is part of Toyota Boshoku's identity.</p>	
<p>3 Together with our business partners, we will realise MONOZUKURI innovations that minimise environmental stress</p>	<p>Aiming for a sustainable global environment in which children can live in smiling happiness, we will make effective use of business resources and achieve the targets of our 2050 Environmental Vision, including zero CO₂ emissions, zero wastewater from production processes, minimising quantities of natural resources used, and minimising waste produced, by working with our business partners to accomplish innovation and improve productivity in MONOZUKURI (and all manufacturing-related processes) by means of the latest leading-edge technologies.</p>	

Issues Relating to the People and Organisations that are Our Sources for Exercising Competitiveness

<p>4 We will develop people capable of contributing to society, who have diverse values, a challenging spirit and understand the value of strong teamwork</p>	<p>To continue taking up the challenges of the matter of solving the world's problems, we will develop autonomous human resources capable of marshalling other human resources around the world, understanding ideas and ways of thinking, mutually accepting one another, and thinking together.</p>	
<p>5 We will continue to be a company of integrity trusted by all our stakeholders, inheriting our tradition of fairness and moral behaviour to the next generation</p>	<p>Henceforth as well, to continue being a company that is trusted by all stakeholders and grows together with them, as we have since our founding, we will continue practicing the values of 'ensuring that our corporate activities are fair and transparent' as held in our corporate philosophy and the Principles of Toyoda that embody the concepts of Sakichi Toyoda, and we will act sensibly as realised in the TB Way.</p>	

Interview with an Outside Director



Outside Director
**Takeshi
Ogasawara**

Advisor, MUFG Bank, Ltd.

The Mission is to Contribute to Sustainable Company Growth with Emphasis on the Governance System

The Role of Outside Directors and Evaluation Results of the Board of Directors

Since assuming this position in June 2017, I have been applying my experience from many years of engagement in international operations, risk management, and compliance at a financial institution to fulfill my duties as an outside director, with an emphasis on governance. I am checking on the board of directors from three perspectives: 'Is the company open-minded?', 'Is governance functioning?', and 'Has nothing been overlooked by risk management?'.

Under the leadership of the chairman and the president, Toyota Boshoku's board of directors conducts open discussion and debate on a variety of topics from diverse perspectives, including those of persons with in-depth knowledge of the industry and university professors, which is outstanding. The important point of risk management, which is one of my own perspectives, entails not just risks now faced, but anticipating risks that could subsequently occur and considering countermeasures. I express my views as an outside director while confirming that a system capable of predictive management of risk, including compliance, is in place.

Toyota Boshoku as Seen from Outside

Toyota Boshoku's company members take great pride in the company, which I think is wonderful, and it makes me quite happy. With respect to the general meeting of shareholders as well, it comes across that local shareholders are taking part with the attitude that this is 'their own town's Toyota Boshoku'. Additionally, I believe this is the original corporate culture inherited from the Principles of Toyoda, and I think it has the power to create unity for solidarity in action when matters arise.

Conversely, it is because the company has a history that includes mergers that there is also the issue that integrating systems takes an inordinate amount of time. I can understand from my own experience with mergers at my bank that system integration in the merged company is extremely difficult, but it's essential to create systems that are capable of flexible response when social upheaval occurs, such as the 2009 economic downturn precipitated by the Lehman Brothers bankruptcy, the aftermath of the 2011 Tohoku earthquake, and the current spread of COVID-19. When centralised management is possible for data on personnel, quality, finance, and other matters out in the world, it becomes easier to make business decisions in a timely way, and response to



changes can also be accomplished with flexibility. We can deem this a challenge that must be addressed now, and we have established the main building at the Global Mainstay Hub in Kariya and begun tackling such matters as visualising and centralising data. I look forward to what will happen in this area.

Also, to round out compliance and risk management, I think it may be a good idea to establish within the company a specialised area of third-party members to evaluate and verify these.

Towards Further Strengthening of Governance

The cardinal point of risk management is not current risk, but predictive management of future risk. Future risk lurks within current risk in our day-to-day tasks. We must lend our ears to the voices of company members on the site and constantly consider from them what the next risks the company will face will be. In terms of company management, it is necessary to link each instance of scattered risk to predictive management. I also expect that we shall work to strengthen the robustness of the entire supply chain so that no delays occur in parts supply.

In terms of compliance as well, taking the diverse views submitted to the internal consulting window from both inside and outside the company, then conducting analysis and careful examination followed by a response is necessary. Problem points gradually grow larger if they are not nipped in the bud as soon as they appear, so initial response is quite critical. I think it's also extremely important to always habitually make preparations for responding after something occurs. I believe that compliance and risk management can only be accomplished by effort that is slow, steady, and attentive.

Expectations for Toyota Boshoku from Here on Out

The 'Toyota Boshoku's Materiality' that has been drafted is extremely well-organised. It has a dual structure comprising 'Issues Relating to Safety, Environment, and Comfort to Resolve through Core Business' and 'Issues Relating to the People and Organisations that are Our Sources for Exercising Competitiveness', and I think that by identifying the issues to prioritise for action among the many myriad social issues in the world, the efforts oriented towards Toyota Boshoku's sustainable social growth have been expressed in an easily understood manner. If I were to venture one opinion from my perspective outside the company, it would be that other in addition to core business operations, I would hope

that the afforestation and other environmental efforts, building elementary schools in developing countries, and various other social-contribution initiatives that Toyota Boshoku has engaged in for many years be continued.

With its identity of HITOZUKURI, MONOZUKURI, and R&D as the foundation, Toyota Boshoku's devotion of effort to conducting its business activities with earnest sincerity is the company's greatest strength. As is expressed in the Principles of Toyoda that represent the spirit carried down since the company's inception, Toyota Boshoku has grown in step with the times for the world and for people. In the coming century as well, we shall contribute for the world and for people, and create new value as an Interior Space Creator. Accordingly, identifying materiality and launching efforts to make contributions with respect to SDGs resonates strongly with me as an outside director, and I have high expectations.



Profile

- 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, Ltd.
- June 2008 Managing Executive Director, MUFG Bank, Ltd.
- May 2011 Senior Managing Director, MUFG Bank, Ltd.
- June 2012 Deputy President and Representative Director, MUFG Bank, Ltd.
- June 2016 Executive Advisor, MUFG Bank, Ltd.
- June 2017 Director, the Company (to present)
- June 2018 Advisor, MUFG Bank, Ltd. (to present)



Governance Corporate Governance



The main building aggregates the corporate functions

Promoting corporate growth while fulfilling our responsibility in harmony with society as a good corporate citizen

The Toyota Boshoku group has stated as the first part of its corporate philosophy 'the desire to promote corporate growth while fulfilling its responsibilities as a good corporate citizen'. To realise this, in accordance with the five basic items listed below, the Company recognises the importance of maintaining and improving management efficiency, fairness and transparency as a global company alongside efforts to maintain its ethical values and ensure sustainable corporate activities, and will strive to expand and enhance its corporate governance. We have also defined our basic stance towards compliance and risk management, and act accordingly.

Corporate governance basic items



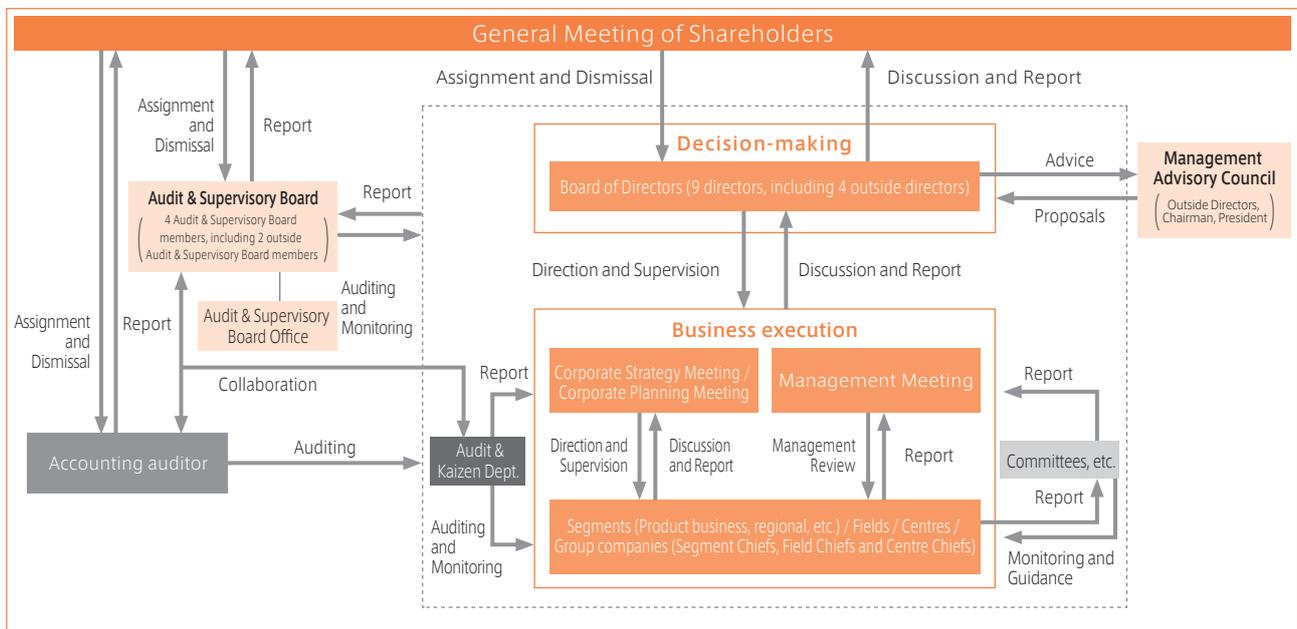
Response to the Corporate Governance Code

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

Toyota Boshoku is working to strengthen corporate governance with the aim of increasing corporate value. The Board of Directors, the decision-making body for business management, resolves legal matters and important management-related matters and oversees business execution. Such matters are deliberated upon extensively prior to submission to the Board of Directors at the Corporate Planning Meeting, which shares information and makes decisions on important management issues, and the Corporate Strategy Meeting, which debates such items as company-wide management strategy. This serves to quicken response to management challenges. In addition, efforts are made to regularly monitor and follow-up on the status of business execution at the Management Meeting, where information is shared among internal directors, standing Audit & Supervisory Board members, and organisational heads from the different fields.

<System diagram>

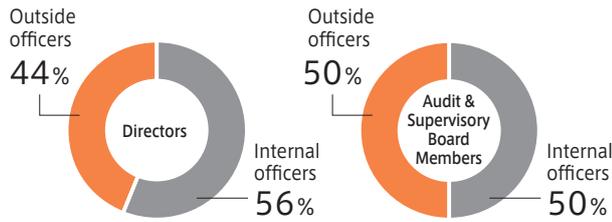


(As of June 2020)

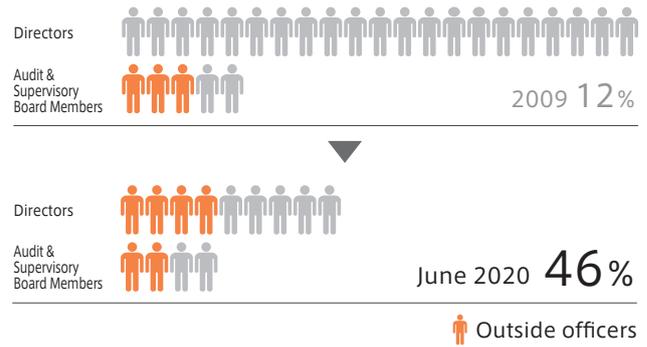
Initiatives for improving corporate governance

Toyota Boshoku appoints four outside directors with extensive experience and broad views in such areas as corporate management. From an objective standpoint, the outside directors serve to ensure the legality and appropriateness of decision-making by the Board of Directors and the execution of duties by directors. Toyota Boshoku adopts a corporate auditor system, in which a four-person structure that includes two outside Audit & Supervisory Board members audits the management of directors. Audit & Supervisory Board members attend key meetings, make visiting audits, and speak with personnel in each division, as well as audit the business execution of directors and the business and financial condition of subsidiaries in Japan and overseas. Such initiatives including assigning dedicated staff to the Audit & Supervisory Board Office help strengthen the functions of the Audit & Supervisory Board.

< Ratio of internal and outside directors and Audit & Supervisory Board members >



< Ratio of outside officers >

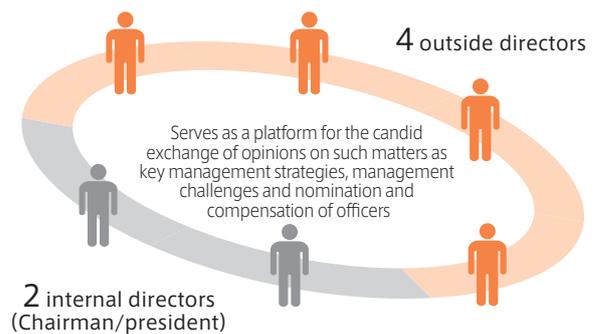


	Previous	2005 *2005 Start of Toyota Boshoku	2016	2017	2018	2019	2021
Board of Directors/ Audit & Supervisory Board		<ul style="list-style-type: none"> ● Election of outside Audit & Supervisory Board members ● Term of directors shortened to one year (2006) 	<ul style="list-style-type: none"> ● Election of outside directors (2016) 	<ul style="list-style-type: none"> ● Start of evaluation of the effectiveness of the Board of Directors (2017) 	<ul style="list-style-type: none"> ● Revision of rules of the Board of Directors (2018) ...delegation of authority to execution functions ● Streamlining of Board of Directors (2018) 	<ul style="list-style-type: none"> ● Establishment of Management Advisory Council (2019) 	
Promotion Meeting/ Committee		<ul style="list-style-type: none"> ● Establishment of CSR Promotion Meeting (2007) 		<ul style="list-style-type: none"> ● Establishment of Risk Management Promotion Meeting (2017) ● Integration of Safety/Health/Environment Function Meeting (2017) 			<ul style="list-style-type: none"> ● Renamed to CSV Promotion Meeting (2021)

Establishment of Management Advisory Council

The Management Advisory Council was established as a forum for the candid exchange of opinions related to such matters as key management strategies, management issues, appointment and dismissal of management, nomination of candidates for director and Audit & Supervisory Board member and compensation for management and directors. The council consists mainly of outside directors and is separate from organisations under the Companies Act.

< Management Advisory Council >



Policy and procedure for nominating candidates for director and Audit & Supervisory Board member

A decision is made on the appointment and dismissal of directors and Audit & Supervisory Board members following debate and discussion by the Management Advisory Council.

The policy on appointment to management and nomination of candidates for director takes into account the fields he/she can cover. This also includes a comprehensive examination to ensure the right person is assigned to the right position so that decision-making is fast and accurate.

The policy on nomination of candidates for Audit & Supervisory Board member involves a comprehensive examination of whether the person has knowledge regarding finance and accounting, a general understanding of the Company's business and diverse perspectives on corporate management.

Reasons for election of outside officers

Classification	Name	Independent Officer	Supplementary explanation regarding suitability items	Reasons for election	Number of Board of Directors, Audit & Supervisory Board attended in fiscal 2020
Directors	Takeshi Ogasawara	○	Advisor, MUFG Bank, Ltd., business partner of the Company	Mr. Ogasawara was elected as a director because it was deemed that he could reflect his extensive experience and broad insight as a manager in the management of the Company and contribute to the maintenance and strengthening of the Company's corporate governance.	Attended 10 of 12 Board of Directors
	Akihiro Koyama	○	Professor, Faculty of Economics, Gakushuin University	Mr. Koyama was elected as a director because it was deemed that he could reflect his research into such areas as corporate finance and corporate governance and also his expert knowledge acquired over many years in corporate management from a global perspective in the management of the Company and contribute to the maintenance and strengthening of the Company's corporate governance.	Attended 12 of 12 Board of Directors
	Kazue Sasaki	○	Executive Vice President, Toyota Industries Corporation, business partner of the Company	Mr. Sasaki has many years of experience as a manager and he was elected as a director because it was deemed that he could reflect his extensive experience and broad insight in the management of the Company and contribute to the maintenance and strengthening of the Company's corporate governance.	Attended 12 of 12 Board of Directors
	Hiroyuki Ina	○	Senior Executive Officer, DENSO Corporation, business partner of the Company	Mr. Ina was elected as a director because it was deemed that he could reflect his many years of experience and broad insight into business management of the electronic components that form the backbone of an automobile and contribute to the maintenance and strengthening of the Company's corporate governance.	Attended 9 of 10 Board of Directors (*1)
Audit & Supervisory Board members	Hiroyuki Yokoyama	○	Executive Advisor, Daihatsu Motor Co., Ltd., business partner of the Company	Mr. Yokoyama was elected as an Audit & Supervisory Board member because it was deemed that he could reflect his experience in the Quality Assurance Division and at overseas locations at Toyota Motor Corporation, as well as his extensive experience and insight gained at Daihatsu, in the audit system of the Company and contribute to the maintenance and strengthening of the Company's corporate governance.	Attended 10 of 10 Board of Directors Attended 10 of 10 Audit & Supervisory Board (*2)
	Masakazu Aida	○	—	Mr. Aida was elected as an Audit & Supervisory Board member because he has many years of experience as a manager and it was deemed that he could reflect his extensive experience and the broad insight he has gained in the audit system of the Company and contribute to the maintenance and strengthening of the Company's corporate governance.	Attended 12 of 12 Board of Directors Attended 13 of 13 Audit & Supervisory Board

*1 Director Hiroyuki Ina was elected as an outside director at the 94th Ordinary General Meeting of Shareholders held on June 12, 2019, and following his selection, Board of Directors was held 10 times.

*2 Audit & Supervisory Board member Hiroyuki Yokoyama was elected as an outside Audit & Supervisory Board member at the 94th Ordinary General Meeting of Shareholders held on June 12, 2019, and following his selection, Board of Directors was held 10 times, and Audit & Supervisory Board was held 10 times.

Policy for deciding the amount of officers' compensation and the calculation method

● Basic approach

Compensation is comprised of monthly compensation (fixed amount), bonuses (amount dependent on results), and transfer-restricted stock compensation. In particular, bonuses are determined based on consolidated operating profit for each business year and upon giving comprehensive consideration to such factors as the degree of enhancement of corporate value (social value and economic value) over the mid-to-long-term, dividends, company member bonus levels, trends at other companies, and actual past bonus payments.

In order to encourage shareholding by directors, promote further sharing of value with shareholders, and advocate sustained enhancement of corporate value by directors, we introduced a transfer-restricted stock compensation system in 2020. Since outside directors, standing Audit & Supervisory Board members, and outside Audit & Supervisory Board members fulfil the roles of supervising and monitoring management from an independent position, no bonuses or transfer-restricted stock compensation are paid.

On June 17, 2020, the General Meeting of Shareholders passed a resolution regarding the compensation of directors. According to the resolution, the total amount of monthly compensation and bonuses for all directors shall be within 600 million yen per year (of which the amount for all outside directors shall be within 70 million yen per year). The total amount of transfer-restricted stock compensation for all directors excluding outside directors shall be within 100 million yen per year. On June 14, 2012, the General Meeting of Shareholders passed a resolution regarding the compensation of Audit & Supervisory Board members. According to the resolution, the total amount of compensation shall be within 8 million yen a month for all Audit & Supervisory Board members. The compensation limit for each officer is determined within the total amounts.

Compensation for officers is decided by the Board of Directors after deliberation at the Management Advisory Council, which is composed of a majority of outside officers.

● Executive compensation system

Monthly compensation

The amount of compensation is determined based on the different ranks and positions in line with the role and work responsibilities as director and operating officer. The amount of monthly compensation is determined in a reasonable manner by multiplying the standard total amount of compensation for the officers by a set percentage depending on work responsibilities.

Outside directors and Audit & Supervisory Board members are paid fixed monthly compensation, with the amount set depending on respective roles rather than basic compensation with salary increase.

Bonuses

Consolidated operating profit and the increase in corporate value over the medium term are the indices used to determine bonuses. Bonuses based on these indices total at least 35% of the compensation amount.

The evaluation of bonuses reflects company-wide results for the fiscal year that is the amount of consolidated operating profit as well as the degree of achievement of fiscal year hoshin (policy) at the individual level, and also incorporates the extent to which corporate value has been enhanced over the medium and long terms.

Transfer-restricted stock compensation

The Board of Directors is scheduled to decide on the specific payment period and allocation using the stock compensation limit (within 100 million yen per year) defined at the General Meeting of Shareholders held on June 17, 2020. The transfer-restricted stock compensation limit is approximately 15% of the total compensation limit.

Officers' compensation

Figures in parentheses are the portion of outside officers

Classification	Amount paid		Number of officers paid
	Compensation	Bonuses	
Directors	331 million yen (43 million yen)	134 million yen (—)	12 officers (5 officers)
Audit & Supervisory Board members	94 million yen (18 million yen)	—	5 officers (3 officers)
Total	425 million yen (61 million yen)	134 million yen (—)	17 officers (8 officers)

The above table includes the portions for two directors and one Audit & Supervisory Board member who retired at the conclusion of the 94th Ordinary General Meeting of Shareholders held on June 12, 2019.

Board of Directors

The Board of Directors convenes at least once a month, and as the management decision-making body, decides on important management matters such as legal matters, corporate hoshin (policy), business plans and capital expenditure plans, and also monitors business execution.

<Key agenda items for Board of Directors in FY2020>

Matters concerning Ordinary General Meeting of Shareholders	<ul style="list-style-type: none"> Decision on convocation and agenda items Approval of business reports, financial statements, etc. Decision on candidates for director and Audit & Supervisory Board member 	Matters concerning shares, etc.	<ul style="list-style-type: none"> Implementation of interim dividend
Matters concerning executive officers and organisation	<ul style="list-style-type: none"> Selection of representative director and executive director Directors' compensation and bonuses Appointment of Operating Officers, Segment Chiefs, Field Chiefs and Center Chiefs 	Matters concerning general management	<ul style="list-style-type: none"> Formulation of global hoshin Deliberation on business advancement, alliances, reorganisation, etc. Items related to property and assets
Other	<ul style="list-style-type: none"> Report on operational status of basic policy regarding maintenance of internal control system Approval and report on transactions involving a conflict of interest Implementation and report on assessments of the effectiveness of the Board of Directors Condition of the exercise of voting rights on agenda items at the Ordinary General Meeting of Shareholders 	<ul style="list-style-type: none"> Examination of stockholdings Operational status of internal control system Report on efforts for consistent information disclosure Report on status of response to business risks Report on initiatives relating to quality 	

Support structure for outside directors and Audit & Supervisory Board members

Internal directors and standing Audit & Supervisory Board members provide explanations about required knowledge pertaining to areas such as the Company's businesses, financial affairs and organisations when outside directors and outside Audit & Supervisory Board members assume office. The Company also sends materials of the Board of Directors beforehand to outside directors and outside Audit & Supervisory Board members and provides them with prior explanations on the important matters of agenda items submitted to the Board of Directors. Furthermore, directors and Audit & Supervisory Board members are reported on the progress of global hoshin, and tour plants and offices.



Inspecting LEXUS manufacturing process at Toyohashi-Kita Plant

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

Toyota Boshoku analyses and evaluates the effectiveness of the Board of Directors as follows.

Method

- Analyse operational status and response to challenges identified in the past and report to the Board of Directors in January.
- Segment Chief in charge of the administrative office of the Board of Directors interviews all directors and Audit & Supervisory Board members, including outside members, in February.
- Evaluation results and the direction to be taken to resolve issues are summarised and reported to the Board of Directors in March for discussion.

Overview of fiscal 2020 evaluation results

- The effectiveness of the Board of Directors in making important management decision and monitoring business execution was confirmed as a result of continued improvement including streamlining the Board and bolstering advance explanations provided to outside officers.
- On the other hand, although it was possible to narrow down the agenda items regarding individual businesses, opinions indicated that there are still many discussions on details, and lack of discussion on main direction (overall strategy, etc.) and risks.
- In order to further augment effectiveness, it is necessary to assign priority to improvement measures and then to speed up execution.

Key challenges and improvement measures

Toyota Boshoku will strive to make the following improvements to ensure even greater effectiveness of the Board of Directors.

① Enrich discussions on business plans and major direction

Strive to secure the time required for discussions and systematically report on the mid-term business plan and global hoshin.

② Enhance information provided to outside officers

Provide materials prepared for preliminary discussion on the agenda items of the Board of Directors, and augment reporting on risks and compliance.

③ Ensure member diversity

Hold reviews for experience and expertise required for the Board of Directors.

Compliance

Basic stance

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 and enhance the level of implementation through various training and educational activities for executive officers and members in order to ensure compliance with laws and regulations as well as co-existence with local communities by respecting various cultures, values and individuality. We have a global legal risk management system, while continuously taking steps to increase awareness of the whistle-blowing system globally and making continuous improvements to the whistle-blowing system.

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) (▶see page 1.), the basis of its compliance, as a teaching material. We strive to strengthen the permeation and practical application of the code of conduct at the workplace level. We also seek to raise compliance awareness by providing training via e-learning on the topics of compliance, the code of conduct and the whistle-blowing system and by undertaking the Toyota Boshoku group Corporate Ethics Month activities.

In order to prevent the recurrence of the fund-leakage incident that occurred in Europe in 2019, the Toyota Boshoku group has launched a recurrence prevention committee with the President as the Chairman and the Segment Chief of the Corporate & Profit Management Segment as the Project Manager. The Committee engages in recurrence prevention measures such as periodically reporting to the Board of Directors and reviewing the flow of transaction and operation. Moreover, in addition to implementing recurrence prevention measures on systems, the Committee enhances the holding of member education, construction of a corporate culture for compliance with rules, and raising of member awareness.

Number of serious legal violations	None
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< Number of consultations >

Fiscal year	2016	2017	2018	2019	2020
Anything Goes Counselling Office (cases)* ¹	193	87	134	152	107
Compliance consulting contact window (cases)* ¹	0	12	9	8	12

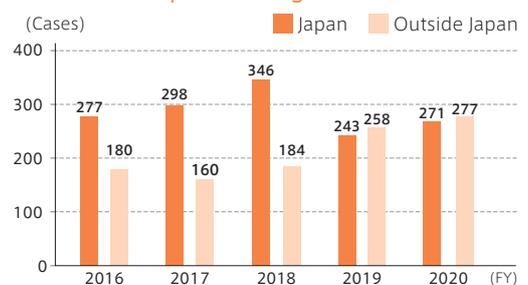
*¹ Consultation or report issues concerning such matters as workplace problems, compliance issues and internal misconduct

Intellectual property management

The Toyota Boshoku group appropriately values our own intellectual property and we continuously work to enhance the protection and utilisation of our intellectual property with the view that it is a key management asset essential for global business development. In fiscal 2020, the Toyota Boshoku group started activities to provide the patent analysis information obtained from IP landscape*² to the business segments and use the information in design development and review of our direction.

Moving forward, the Toyota Boshoku group will provide management with comprehensive analysis results for information on intellectual property, technology, services, markets, and competitors, and will broaden the scope of our activities to enable utilisation of said information in our business strategy. Furthermore, we will focus on cooperating with design and development divisions in each business segment and field, and on strengthening the intellectual property cooperation system with regional headquarters.

< Number of patents registered >



*² Defined in the Intellectual Property Skill Standards published by the Japan Patent Office. Consists of ascertaining trends in individual technologies and patents, and performing in-house analysis, competition analysis, market analysis, etc., that integrates intellectual property information and market information.

Risk Management

Basic stance

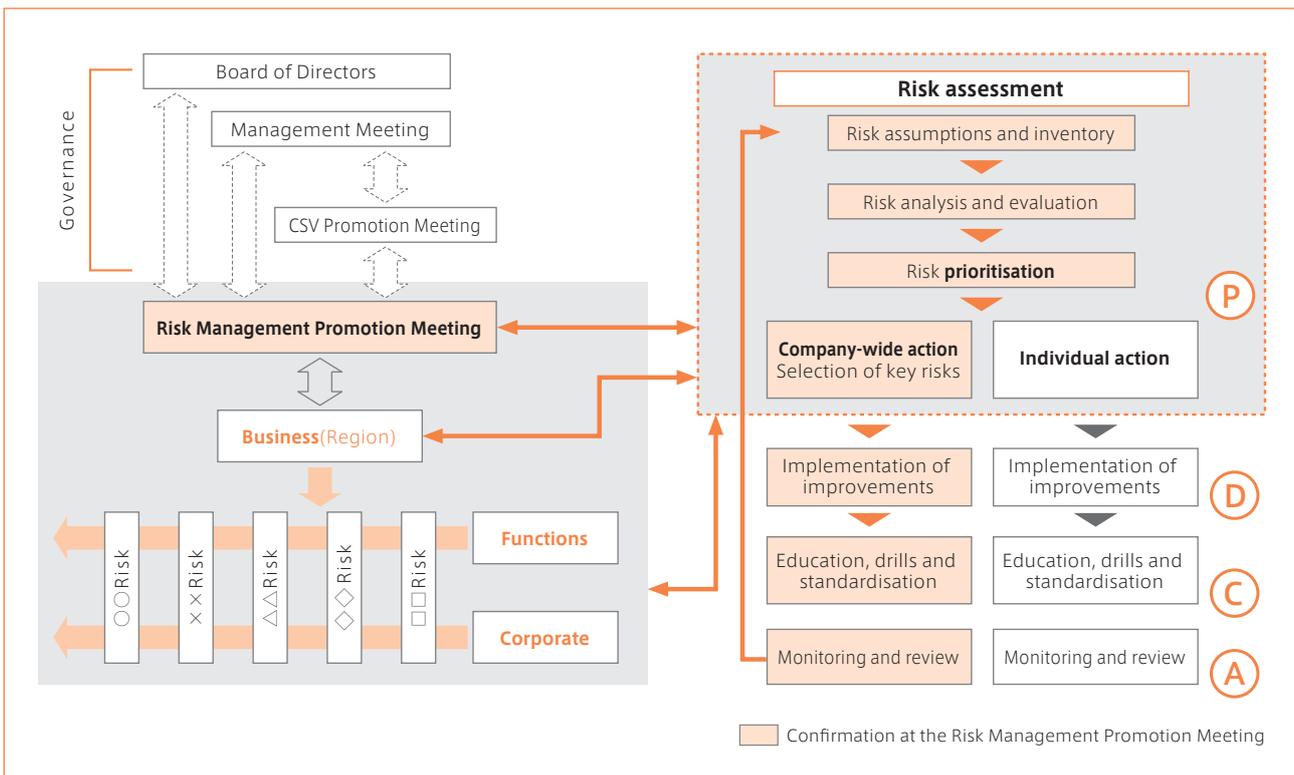
The Toyota Boshoku group is working to comprehensively reinforce risk management and reduce risks in order to respond swiftly to major risks that includes management risk, risk in daily operations, risk such as disasters and accidents, risk arising from the external environment such as global warming and water and social reputation risk*³.

*³ Risk of losing societal trust

Risk management activities

Businesses, regions, corporate operation, and other functions are working together to prepare for pertinent risks and to implement a PDCA (plan-do-check-act) cycle for risk management activities. In fiscal 2020, Toyota Boshoku established risk management meetings at Japanese affiliated companies and business entities outside Japan, with the purpose of identifying risks and conducting risk assessments. Toyota Boshoku comprehensively ascertains and manages risks, and then shares the risks with the Toyota Boshoku group in an effort to prevent and minimise damages.

<System & risk management activities>



Initiatives in fiscal 2020

Toyota Boshoku created a risk map by using 5 stages to assess 10 classifications and 42 items of risks. Also, as a result of re-evaluation during fiscal 2020, we added 13 new items, assessed 55 items, and selected company-wide priority risk areas (earthquakes, typhoons/flooding, infectious diseases, fraud damages, and economic deterioration).

In particular, for fraud damage, Toyota Boshoku established and implemented recurrence prevention measures from perspectives of preventing deception, strengthening payment procedures, optimising remittance procedures, and monitoring/auditing.

<Risk inventory chart: 10 classifications>

Large-scale disaster	Production and logistics
Occupational health and safety	Information security
Compliance	Supply chain
Economics, society	Finance
Business	Environment

<Risk evaluation>

Degree of importance	=	Impact	×	Ability to respond
Degree of risk	=	Importance	×	Possibility of occurring

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. During the Confidential Information Management Promotion Month, 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 sequentially deployed measures to resolve weak points at each site within a region across the organisation.

TOPICS

Measures against COVID-19

Toyota Boshoku established a new COVID-19 Comprehensive Countermeasures Segment, with the President as the segment chief. We have worked to prevent the spread of infection according to the following basic policies: 1) Give top priority to the lives and safety of company members, 2) Minimise operational impact on customers, and 3) Appropriately disclose information to the local community.

In administrative and engineering divisions at Toyota Boshoku, telework had been possible for a maximum of two days per week. We changed this policy to allow members to telework consecutively all day long in order to minimise contact among members. At the lowest, the number of members coming to work decreased to approximately 30%. At plants, we implemented infection prevention measures by installing partitions and making disinfectant solutions available.

Additionally, Toyota Boshoku reduced the number of masks procured from the market by utilising our strength in MONZUKURI to produce masks in-house and distribute them to company members. We also donated masks and face shields produced in-house to medical facilities and local governments.



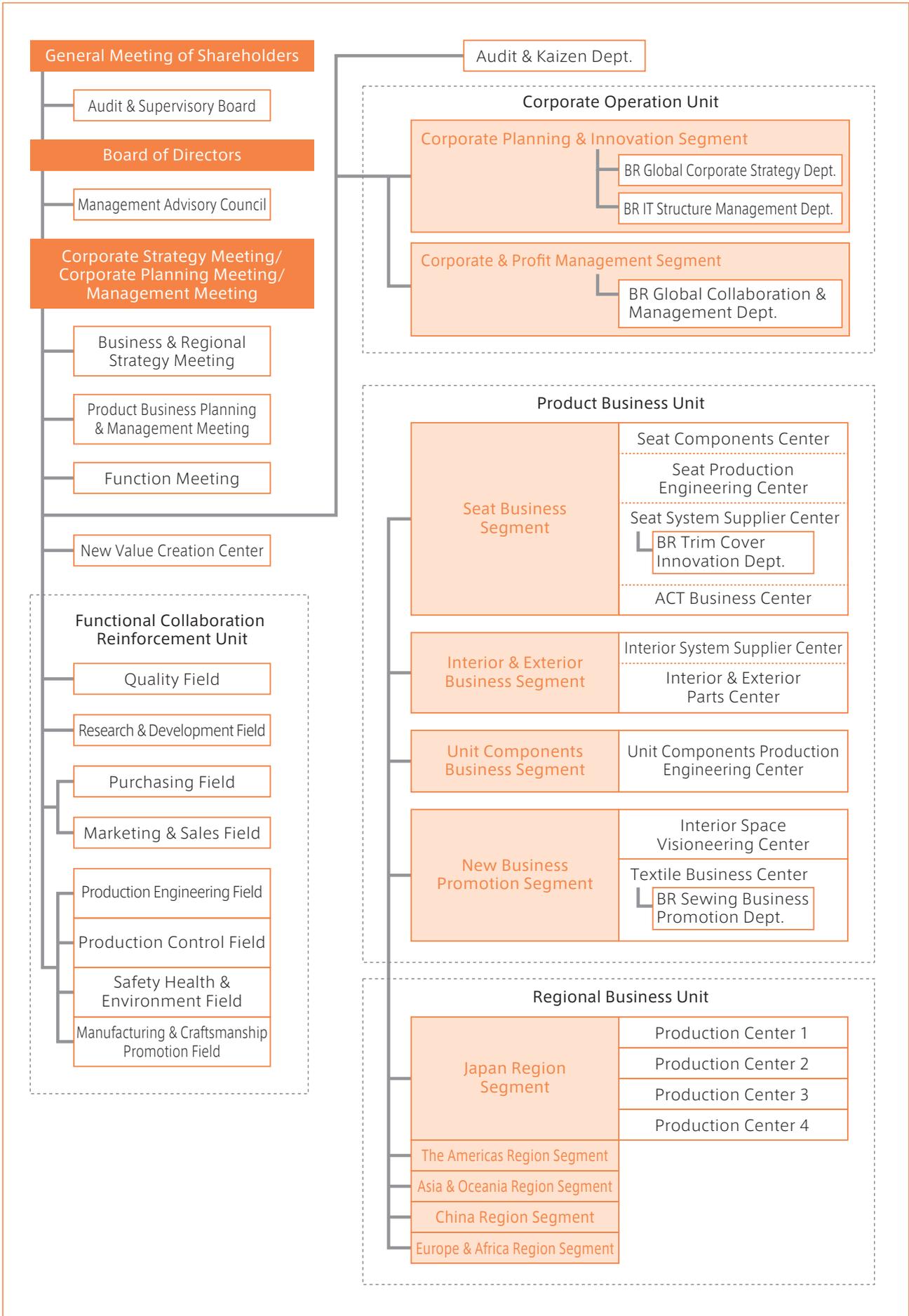
Partitions installed at S.K. Auto Interior (Thailand)



Modified cafeteria layout at Guangzhou Intex Auto Parts (China)

<Organization chart>

(As of July, 2020)



Directors 9 directors, including 4 outside directors/Average age: 64 years old



Shuhei Toyoda Management Advisory Council

Chairman

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)

Term of office as Director: 16 years



Takeshi Numa Management Advisory Council

President

Unit Chief, Corporate Operation Unit
 Unit Chief, Quality Field
 Unit Chief, Audit & Kaizen Dept.
 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)

Term of office as Director: 4 years



Yoshihiro Ito

Executive Vice President

Unit Chief, Regional Business Unit
 Unit Chief, Purchasing Field
 Unit & Field Chief, Marketing & Sales 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)

Term of office as Director: 2 years



Shinji Kano

Executive Vice President

Unit Chief, New Value Creation Center
 Unit Chief, Safety Health & Environment Field
 Unit Chief, Production Control Field
 Unit & Field Chief, Production Engineering Field
 Unit & Field Chief, Manufacturing and Craftsmanship Promotion Field
 Apr. 1980 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
 Jan. 2013 Advisor, the Company
 June 2013 Managing Officer, the Company
 Apr. 2017 Executive Managing Officer, the Company
 Apr. 2019 Vice President, the Company
 June 2019 Executive Vice President, the Company (to present)

Term of office as Director: 1 year



Takashi Yamamoto

Executive Vice President

Unit Chief, Product Business Unit
 Unit Chief, Research & Development Field
 Segment Chief, New Business Promotion Segment
 Center Chief, Interior Space Visioneering Center
 Apr. 1982 Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
 Apr. 2014 Managing Officer, Toyota Motor Corporation
 Jan. 2018 Advisor, the Company
 Apr. 2018 Executive Managing Officer, the Company
 Apr. 2019 Operating Officer, the Company
 Apr. 2020 Vice President, the Company
 June 2020 Executive Vice President, the Company (to present)

New appointment



Takeshi Ogasawara

Outside Director

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, Ltd.
 June 2008 Managing Executive Director, MUFG Bank, Ltd.
 May 2011 Senior Managing Director, MUFG Bank, Ltd.
 June 2012 Deputy President and Representative Director, MUFG Bank, Ltd.
 June 2016 Executive Advisor, MUFG Bank, Ltd.
 June 2017 Director, the Company (to present)
 June 2018 Advisor, MUFG Bank, Ltd. (to present)

Term of office as Director: 3 years

Outside Director

Independent Director



Akihiro Koyama Management Advisory Council

Outside Director

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)

Term of office as Director: 2 years

Outside Director

Independent Director



Kazue Sasaki Management Advisory Council

Outside Director

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)

Term of office as Director: 4 years

Outside Director

Independent Director



Hiroyuki Ina

Management Advisory Council

Outside Director

Apr. 1981 Joined Nippondenso Co., Ltd.
(now DENSO Corporation)
June 2009 Executive Director, DENSO Corporation
June 2015 Senior Executive Director, DENSO Corporation
Apr. 2019 Senior Executive Officer DENSO Corporation
(to present)
June 2019 Director, the Company (to present)

Term of office as
Director: 1 year

Outside Director

Independent Director

Audit & Supervisory Board Members

4 Audit & Supervisory Board members, including 2 outside Audit & Supervisory Board members/
Average age: 67 years old



Yasushi Minami

Standing Audit & Supervisory Board Member

Apr. 1977 Joined Toyota Motor Co., Ltd.
(now Toyota Motor Corporation (TMC))
Feb. 2012 Advisor, the Company
June 2012 Managing Officer, the Company
June 2015 Executive Managing Officer, the Company
Apr. 2016 Chairman, Toyota Boshoku Asia Co., Ltd.
Apr. 2017 President, Toyota Boshoku Asia Co., Ltd.
Apr. 2019 Operating Officer, the Company
June 2020 Standing Audit & Supervisory Board Member,
the Company (to present)

New appointment



Terukatsu Mizutani

Standing Audit & Supervisory Board Member

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
June 2015 Standing Audit & Supervisory Board Member,
the Company (to present)

Term of office as
Audit & Supervisory
Board Members:
5 years



Hiroyuki Yokoyama

Outside Audit & Supervisory Board Member

Apr. 1974 Joined Toyota Motor Co., Ltd.
(now Toyota Motor Corporation (TMC))
June 2008 Managing Officer, Toyota Motor Corporation
Apr. 2012 Senior Managing Officer,
Toyota Motor Corporation
Apr. 2015 Adviser, Daihatsu Motor Co., Ltd.
June 2015 Executive Vice President,
Daihatsu Motor Co., Ltd.
Jan. 2019 Executive Adviser, Daihatsu Motor Co., Ltd.
(to present)
June 2019 Audit & Supervisory Board Member,
the Company (to present)

Term of office as
Audit & Supervisory
Board Members:
1 year

Outside Director

Independent Director



Masakazu Aida

Outside Audit & Supervisory Board Member

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)

Term of office as
Audit & Supervisory
Board Members:
2 years

Outside Director

Independent Director

Operating Officers

Masanobu Ishikawa | Segment Chief, Seat Business Segment
Assistant to New Business Promotion Segment Chief

Hiroshi Ioki | Segment Chief, Japan Region Segment
Center Chief, Production Center 2, Japan Region Segment
Plant General Manager, Sanage Plant and Takaoka Plant

Shoji Adachi | Segment Chief, Unit Components Business Segment
Assistant to New Business Promotion Segment Chief

Independent Director

Independent Director pursuant to the provisions of the Tokyo Stock Exchange and the Nagoya Stock Exchange

Ikuo Mochizuki | Segment Chief, The Americas Region Segment
President, Toyota Boshoku America, Inc.

Yasuhiro Fueta | Segment Chief, Corporate & Profit Management Segment
Department General Manager,
BR Global Collaboration & Management Dept.

Hiroki Tsunoda | Segment Chief, Asia & Oceania Region Segment
President, Toyota Boshoku Asia Co., Ltd.

Management Advisory Council

Member of the Management Advisory Council



Social Activities



Social issues discussion at Global Week 2019

Aiming to secure a trusted company that grows together with all stakeholders through the implementation our corporate philosophy

The Toyota Boshoku group is implementing initiatives to become a company that can benefit society based on the Principles of Toyoda, which encapsulates the ideas of founder Sakichi Toyoda, and our corporate philosophy for maintaining the trust of all stakeholders. The initiatives aim to contribute to social value through harmonious growth with society and by giving back the fruits of our efforts to raise economic value, and to enhance corporate value over the medium and long term. The Toyota Boshoku group also seeks to drive growth together with global society and local communities by deploying activities that help advance society and protect the Earth.

Together with Customers

Together with Shareholders and Investors

Together with Company Members

Together with Suppliers



Together with Customers

Based on the customer first philosophy originated from the Principles of Toyoda—being unified to make contributions for the world and for people—and our initiatives related to MONOZUKURI cultivated for 100 years, the Toyota Boshoku group aims to become an Interior Space Creator. To achieve this goal, we are working to thoroughly enhance quality and develop human resources on a global scale. It is our mission to always consider matters from the customer's perspective and position, to ensure safety and confidence and to provide customers with attractive and inspiring products.

Establishing a global quality assurance system

In order to deliver high-quality and high added-value products to our customers around the world, we are establishing a 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.

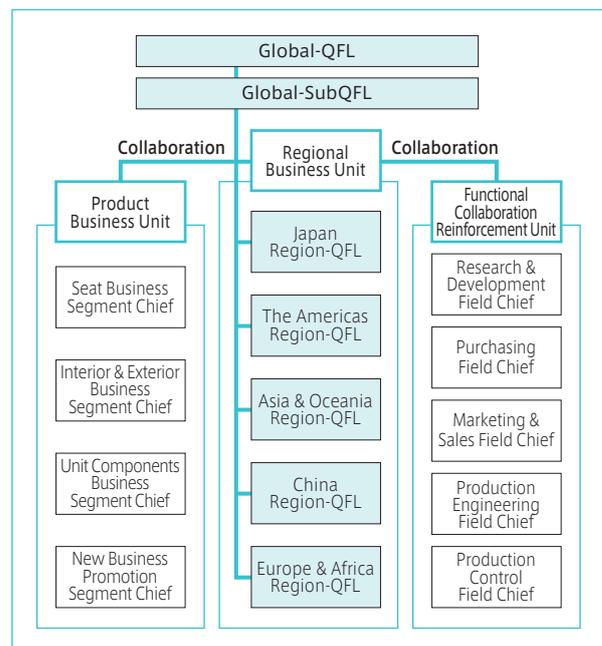
● Striving to prevent issues in quality from upstream processes

Since fiscal 2020, the Toyota Boshoku group has introduced the global QFL*1 system and linked the Regional Business Unit, the Product Business Unit, and Functional Collaboration Reinforcement Unit. By doing so, we seek to enhance quality by fostering a corporate culture in which top management sincerely work on the quality function policy in each region and on shared global quality issues.

As one initiative for shared quality issues, we review work style in the development and production preparation processes, and promote improvement in technical drawing completeness through efforts by the Quality SE*2 Team in cooperation with development division. We are also strengthening systems to prevent quality issues from upstream processes. Furthermore, we are developing quality human resources through team activities with quality experts.

Additionally, through IQS*3 and our original market research, we are analysing customer usage and temporal changes, and are continuously working on activities to reflect the results of analysis into design and evaluation standards.

<QFL Promotion System>



*1 QFL: Quality First Leader

*2 SE: Simultaneous Engineering; refers to product development with simultaneous advancement of technology, production engineering and plants

*3 Initial Quality Study: J.D.Power's industry benchmark for new-vehicle quality measured in the early stage of ownership

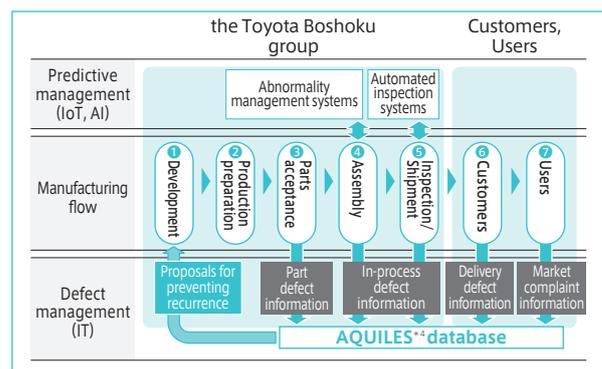
Establish process quality and standardisation to realise sustainable growth

The Toyota Boshoku group is utilising IT in the construction of quality information management systems and working to enhance operational quality.

● Using IoT and AI to create systems that can be continuously improved

The Toyota Boshoku group utilises IT to efficiently collect quality control information on customers and internal matters, and are working to construct a quality improvement system that leads to countermeasures and proposals for preventing recurrence. Furthermore, we have introduced an automated appearance inspection system that uses IoT and AI to reduce variations in pass/fail judgments by people, are developing systems capable of predictive management by ascertaining work which is the source of problems, and building quality control mechanisms that enable continuous improvement into the future.

<Continuous quality improvement using IoT and AI>



*4 All Toyota-Boshoku Quality Information Leading System

Enhancing quality competitiveness and developing human resources with an eye on the future

By establishing the MONOZUKURI Innovation Center, Toyota Boshoku is working to bolster a cooperation between development, production engineering, quality, and to augment the vehicle evaluation system. We are also performing speedy evaluation analysis in order to resolve problems and prevent recurrence.

Moreover, by using analysis results as feedback for development, we connect the analysis to prevention and quality enhancement.

We are also actively working to develop human resources who can propose new evaluation methods.

● Initiatives focusing on the age of CASE and MaaS

In response to CASE and MaaS, the Toyota Boshoku group is building quality from the customer's perspective while reviewing durability, maintainability, and usability, as well as considering constantly changing customer's needs. Also, we are working to achieve perceived quality exceed customer's expectations and enhance competitiveness in quality.

● Improvement of business quality using TQM

The Toyota Boshoku group applies TQM to secure abilities in terms of organisation, processes, and members for sustainable growth. Enhancing the process quality of each company member so as to eliminate loss and increase efficiency, we will achieve the mid-term business plan and realise our Vision.

As a specific measure, we will confirm the policy links between organisations needed to achieve the mid-term business plan, and will clarify the causal relationship between measures and the attainment of goals. Additionally, in order to fulfil the mission of the organisation, we will examine and systematise daily tasks to improve the effectiveness of processes.

When training company members who perform these tasks, we will use a skill map to clarify the skills required for the tasks, evaluate and increase the individual abilities, and cultivate human resources who will grow from independent to autonomous.

This will enable the Toyota Boshoku group to evolve into an autonomous organisation which strives to reach our Vision.

● Fostering a culture of quality and cultivating human resources

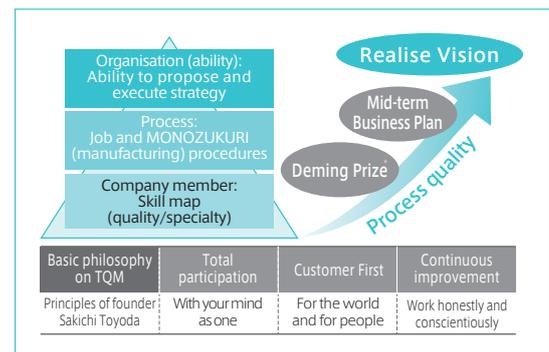
The Global Quality Learning Center (GQLC) is a facility where company members can listen to the direct opinions of customers and experience quality defects. Since its opening in 2016, the GQLC had been based in the Fujioka Plant. However, in July 2020, it was relocated and reopened in the MONOZUKURI Innovation Center of the Sanage Plant.

As part of the reopening, we reproduced defects in vehicles. We also added an area where members can experience the defects and an exhibition corner that uses big data. The GQLC provides a place for all company members to learn the importance of our Customer First and Quality First policies from the perspective of the end user.

< Promoting the trinity of activities: development, production engineering, and quality >



< MONOZUKURI Innovation Center: Vehicle inspection site >



* A prize given to companies with outstanding achievements in Total Quality Management (TQM)

< GQLC open after renewal >



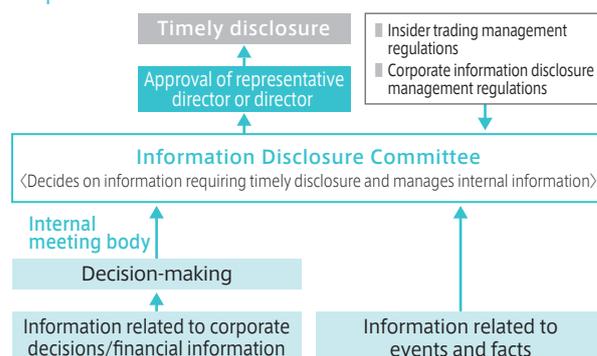
Together with Shareholders and Investors

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.

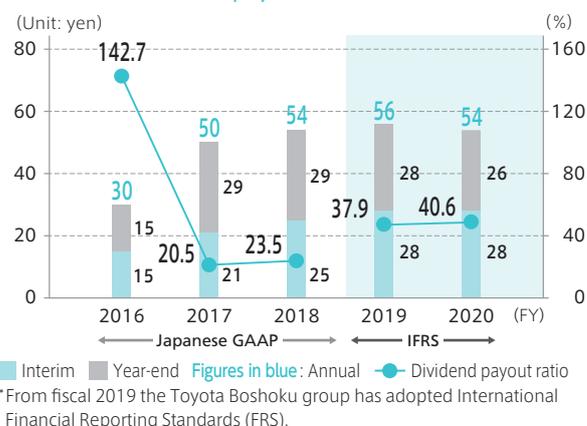
Enhancement of corporate value and reinforcement of information disclosure

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 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

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 will actively invest profit generated through our business activities into growth areas to maximise total basic earnings per share (▶see page 61) and increase shareholder value.

Key initiatives in fiscal 2020

< General Meeting of Shareholders (June 12, 2019) >

Number in attendance **398** Voting participation **90.02%**



Ordinary General Meeting of Shareholders

< Dialogue with institutional investors and analysts >

Total: **309** companies

Individual meetings	191 companies
Financial results briefings	113 companies 157 persons
Conferences with institutional investors outside Japan	5 companies 5 persons



Financial results briefings

< Dialogue with individual investors >

Corporate information sessions for individual investors **3 times**
396 persons



Conferences with institutional investors

Together with Company Members

The Toyota Boshoku group is aiming to realise the status in which multitalented human resources are drawn by the appeal of our group, with company members working vibrantly in all regions worldwide. We promote efforts to create a workplace in which all members in the 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.

Human Resources Management (HRM)

● 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 our 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.

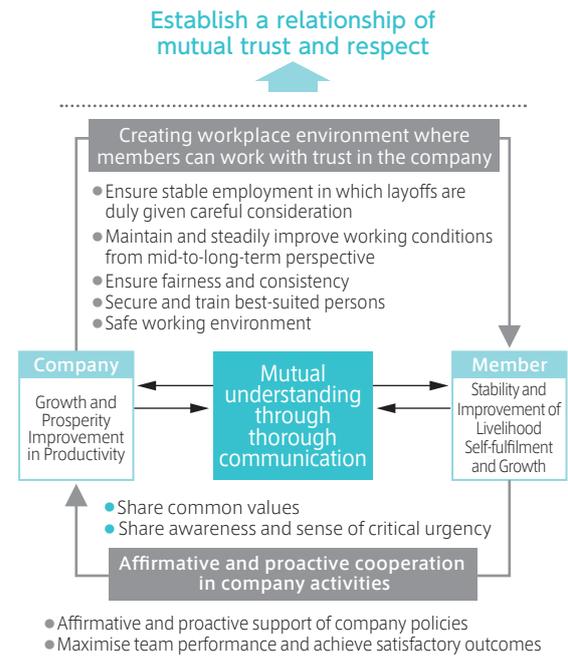
● Stable employment with fair and honest evaluations and working conditions

Based on a good labour-management relationship, labour and management 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-to-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.

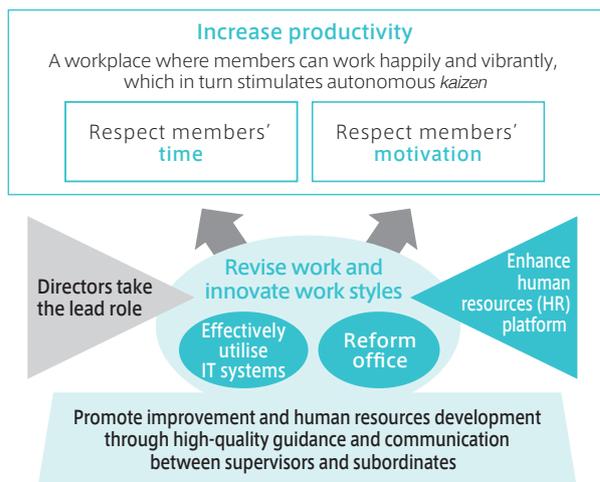
● Promote 'innovation of vibrant work style'

'Innovation of vibrant work style' refers to the Toyota Boshoku group's challenge to reform our organisation and culture. We aim to create a workplace where company members can work happily and vibrantly, and that is more flexible, efficient and creative. We have promoted systematic and efficient business operations, as well as the digitisation of documents. From fiscal 2020, the Toyota Boshoku group has introduced a telework program for administrative and engineering-related members, thereby increasing options and ensuring diverse working styles. Moving forward, we will accelerate the development of a comfortable working environment for company members.

< Basic concept of Human Resources Management (HRM) >



< Overview of 'Innovation of vibrant work style' >



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

Fiscal year	2016	2017	2018	2019	2020
Company members' satisfaction: Positive response rate (%)	61.5	65.0	66.0	67.8	67.2

Global HR strategy

For the Toyota Boshoku group, an organisation with many locations worldwide, a human resources (HR) strategy aimed at securing, assigning and fostering personnel who can realise our growth strategy is a critical management challenge. We aim to recruit human resources with administrative and technical skills, specialised skills and advanced expertise; assign them to appropriate positions; and make sure they are compatible with our growth strategy in accordance with our 'global medium-term HR plan' that looks ahead to fiscal 2026. This policy supports the development of business.

Our Global HR Platform seeks to harmonise competencies and work duties of supervisory and management members and make the most of the merits of each. Through this platform, we can realise the optimal global allocation of human resources and promote their development in order to maximise global organisational capabilities.

● Promoting diversity and inclusion

We are working to establish a system befitting respective roles and contributions that respects diverse career types and work styles (independent choice) and embraces diversity irrespective of nationality, age, gender or physical/mental disability. We are also developing systems and an environment in which anyone can take on challenges and roles at any time.

● Promoting active roles for female members

We are striving to create a framework and workplace environment that is both satisfying and motivating and encourages continued service through support of career development and work-life balance, and by changing the awareness of both female members and their supervisors.

DATA

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

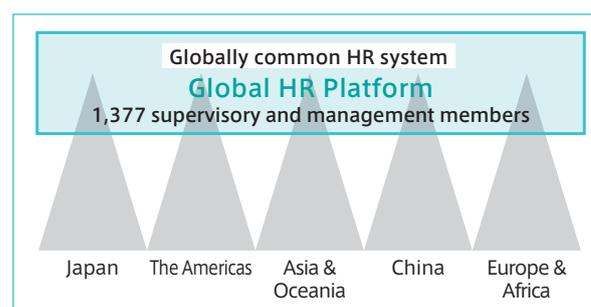
Fiscal year	2016	2017	2018	2019	2020
Childcare leave system (persons)	149(9)	169(6)	197(8)	178(8)	205(20)
Shortened work hour system (persons)	98	111	142	132	167

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

< Reemployment of retirees > [Toyota Boshoku]

Fiscal year	2016	2017	2018	2019	2020
Reemployment of retirees (persons)	163	193	219	267	314

< Application of Global HR Platform >



< Number of Users of Global HR Platform >

Fiscal year*	2018	2019	2020
No. of users	1,301	1,353	1,377

*Totals are stated as of April 1 of the following fiscal year

● Promoting active roles through the recruitment and optimal allocation of human resources from a global perspective

We are promoting active roles for diverse human resources by accepting trainees from group companies outside Japan, embracing movement across regions and actively accepting and employing internships from universities overseas.

● Creating people-friendly processes and environments

We are designing people-friendly processes, systems and environment as well as educating managers and supervisors so that members with disabilities, female members and older personnel can work easily and vibrantly.

< Employment rate of persons with disabilities >

[Toyota Boshoku]

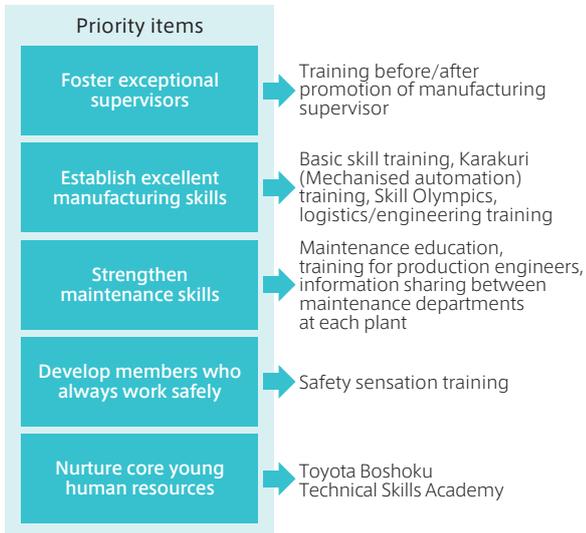
Fiscal year	2016	2017	2018	2019	2020
Employment rate of persons with disabilities (%)	1.90	2.04	2.19	2.20	2.21

< Ratio of local members who are executives in regions outside of Japan >

	April 2018	April 2019	April 2020
Ratio of local employees (%)	14	19	23

Specialised Skills related education

The Technical Skills Training Center supports improvement of workplace capabilities and autonomy by providing knowledge-based education and practical training in order to develop members who can achieve a high level of safety, quality, delivery, and cost performance.



In fiscal 2020, the Toyota Boshoku group continued to conduct educational trainings. We launched PMR training which is structured around a philosophy of plant management centred on safety, quality, production, cost, and human resources. The skill competition aims to raise the level of advanced skills globally in 16 work categories (include spinning top contest).

For our hearing-impaired production members, we provide sign language interpretation for Safety Sensation Dojo (simulated accident dojo) training and for Technical Skills Acquisition training which includes Safety, Quality, Toyota Production System (TPS), and TPM*¹. In fiscal 2021, the entire Toyota Boshoku group is working to strengthen MONOZUKURI. Specifically, we are implementing education based on a certification programme for mould maintenance, as well as development of maintenance education bases and cultivation of instructors in countries other than Japan.

*1 Total Productive Maintenance

< All TB Skills Competition >

This competition is held every year to refine skills worldwide. In fiscal 2020, 222 members took part in 16 work categories.



● 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 is also accepting young members from our overseas affiliates.

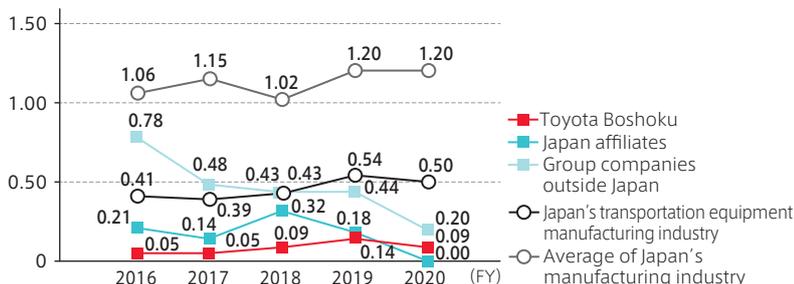
Promoting a global safety and health culture

Based on a Basic Safety and Health policy, [web](#) the Toyota Boshoku group implements safety and health activities as labour-management cooperative efforts in order to establish a corporate culture that places priority on safety and health at work. We also work globally to enhance safety and health at work through activities based on an Occupational Safety and Health Management System (OSHMS). Furthermore, in order to absolutely prevent the occurrence of fires, we conveyed Toyota Boshoku's stance on fire prevention and conducted management-led inspection in each area, held emergency preparation drills using fire hydrants for

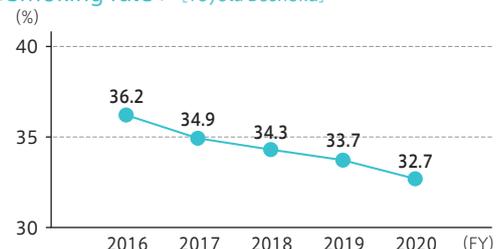
all members, and worked to raise awareness towards fire prevents.

In terms of health promotion, Toyota Boshoku was recognised as an Excellent Enterprise of Health and Productivity Management Organisation 2020. Based on the Toyota Boshoku Health Declaration, [web](#) we are conducting medical check-ups for all company members, implementing activities to prevent lifestyle-related diseases and lowering the smoking rate. We will continue raising health awareness among company members by making plans in such areas as promoting exercise, dietary habits, and mental health.

< Frequency rate of lost time accidents >



< Smoking rate > [Toyota Boshoku]



Together with Suppliers

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.

Promotion of CSR-related procurement

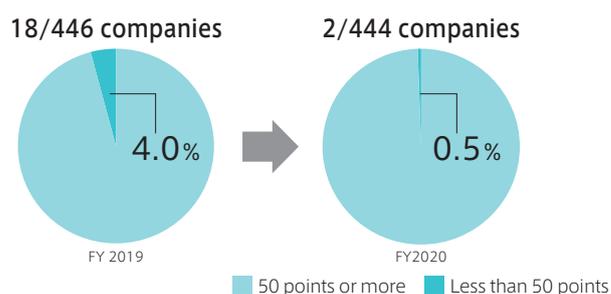
Toyota Boshoku requests the following for its basic supplier agreements: (1) Respect of human rights and building awareness for social responsibility in the supply chain; (2) Prohibiting bribery; (3) Ensuring fair transactions; and (4) Removing antisocial forces. Furthermore, we comply with the Antimonopoly Act, subcontracting laws, labour laws, environmental laws, and other related laws in each country and region, and are working to strengthen CSR throughout the entire supply chain. In fiscal 2020, we implemented a CSR self-assessment for 444 suppliers in order to maintain and continue fair and transparent transactions. For the first time, we also conducted an anonymous supplier satisfaction survey for the same suppliers. Although there were many affirmative answers overall, we will sincerely respond to the issues and requests which were indicated in the survey.



Explanation of SDGs and guidelines at the supplier CSR briefing

<Self-assessment on CSR>

Number of companies scoring less than 50 points out of 100



Building a global procurement system

As the Toyota Boshoku group expands our business globally, we will proceed with local procurement while considering all aspects such as safety, quality, and cost. At the same time, our entire group will work together with our suppliers to pursue optimal global procurement. In fiscal 2020, we awarded suppliers who made great contributions in terms of quality, cost, and supply

in Japan, the Americas, Asia/Oceania, China and Europe/Africa. As a response to COVID-19, the Global Annual Supplier Meeting was cancelled and we did not hold the supplier award ceremony. However, we produced web videos of the President's message and our global procurement policy, and streamed the videos to 172 suppliers in Japan and other regions.

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.

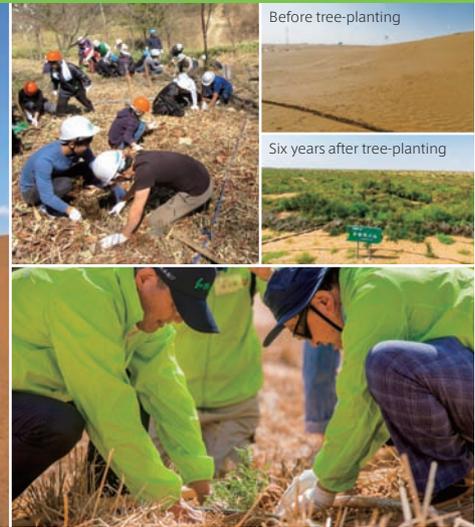
<Held a management seminar run by Sunshine>



At a management seminar run by Sunshine (a supplier group member of Toyota Boshoku), President Numa explained the company's initiatives to strengthen its corporate structure and create new value



Environmental Activities



Reforestation activities worldwide

2050 Environmental 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.

Our environmental initiatives are based on the idea of corporate growth while fulfilling our responsibility in harmony with society, as stated in our 2020 Mid-term Business Implementation Plan. The Toyota Boshoku group formulated our 2050 Environmental Vision in 2016 based on the belief that it is necessary to take a long-term perspective towards 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.

6 Stretch Environmental Goals to 2050

- | | | | | | |
|----------|--|---|----------|--|--|
| 1 | | Climate Change
Challenge of achieving zero CO ₂ emissions in the Toyota Boshoku group | 2 | | Climate Change
Challenge of achieving zero CO ₂ emissions in the product life cycle |
| 3 | | Water Scarcity
Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling | 4 | | Resource Depletion
Challenge of minimising natural resources usage |
| 5 | | Resource Depletion
Challenge of minimising wastes produced by the Toyota Boshoku group | 6 | | Biodiversity Crisis
Challenge of planting 1.32 million trees as part of reforestation activities |

Overview of initiatives in fiscal 2020

The Toyota Boshoku group focused on initiatives aimed at '(1) Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group', one of the six Stretch Environmental Goals outlined in our 2050 Environmental Vision. With an eye on the medium and long term, we formulated a 2030 CO₂ reduction scenario and clarified measures for the future. We also made steady efforts to achieve targets under our other challenges, and in fiscal 2020 realised all targets in such areas as CO₂ emissions, water consumption, and waste generation.

Our efforts have been highly evaluated from outside the Company (refer to the 'Topics' section below).

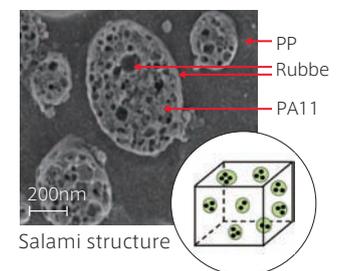
In fiscal 2021, we will continue to tirelessly implement environmental improvement activities as a unified group towards the realisation of our 2020 Environmental Action Plan and in view of our desired status in 2050.

FY2020 TOPICS

Won the 2019 R&D 100 Award sponsored by R&D World Magazine.

The High Impact Polymer Resin that possesses world-class performance and was jointly developed by Toyota Boshoku and Toyota Central R&D Labs., Inc. has been named a winner of the 2019 R&D 100 Awards sponsored by R&D World Magazine.

The High Impact Polymer Resin is made by combining at the nanometer level polyamide 11 (PA11), a 100% inedible plant-derived resin, and the petroleum-derived resin polypropylene (PP). This results in outstanding academic properties, such as the achievement of approximately ten times the impact strength of PP. Furthermore, when commercialising door trims that use the High Impact Polymer Resin, we succeeded in developing a door trim foam material that is approximately 20% lighter than conventional products. In 2018, we were highly evaluated for mass production of the Toyota Crown using the High Impact Polymer Resin.



Selected as an A-List company, the highest rating for CDP Water Security

For the first time ever, Toyota Boshoku was selected as an A-List company in the CDP 2019 Water Security category in a survey undertaken by CDP. With the formulation of the 2050 Environmental Vision, we set one of our challenges to use recycled water in production processes and eliminate all wastewater, and continue to hold activities based on the 2020 Environmental Action Plan. Our initiatives for water resources include continuing to meet annual targets related to water resources and implementing a governance system for water resources, and we were evaluated as comprehensively outstanding by the CDP.



Support for TCFD and future measures for climate change

Toyota Boshoku endorsed and signed the final recommendation of the TCFD* established by the Financial Stability Board. Until now, we have implemented climate change measures such as reducing CO₂ emissions and introducing renewable energy. We will further strengthen these activities, formulate an environmental action plan that will serve as the next Mid-term Business Implementation Plan, and clarify the milestones leading to the achievement of the 2050 Environmental Vision.



*TCFD: Task Force on Climate-related Financial Disclosures

Initiatives in fiscal 2020

We introduce our main initiatives in fiscal 2020 for each of the six Stretch Environmental Goals for the 2050 Environmental Vision.

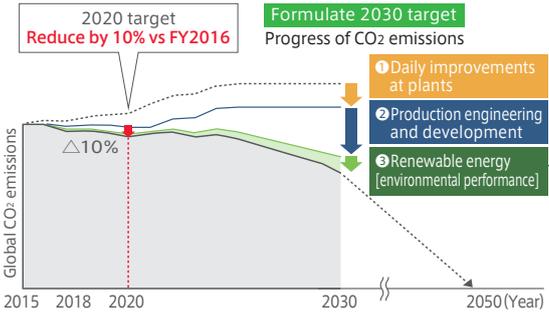
For details of our environmental activities On our website, we introduce our 2020 Environmental Action Plan (targets and results), key performance data and detailed initiatives.

1 Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group

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 engineering, the technological development of products and materials, the improvement of plants and the utilisation of renewable/next generation energy.

Global deployment of the 2030 CO₂ reduction scenarios

In order to achieve the 2030 target that we formulated in fiscal 2019, we visited two bases in the Americas, Asia & Oceania, China, and Europe & Africa regions. During these visits, we promoted the creation of CO₂ reduction scenarios while cooperating with local members to examine improvement items which can or should be implemented globally. Going forward, the entire Toyota Boshoku group will promote activities for reducing CO₂ emissions.



3 Renewable energy [environmental performance] Active introduction of renewable energy

The Toyota Boshoku group has systematically introduced renewable energy. In fiscal 2020, we utilised the PPA* system to further accelerate the introduction of solar power generation.

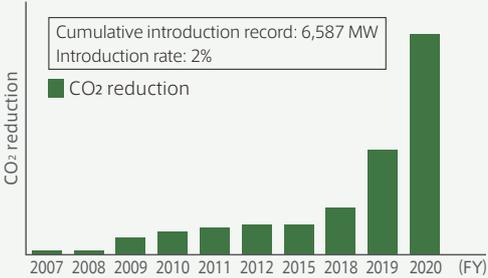
Moving forward, the entire Toyota Boshoku group will continue to systematically introduce renewable energy and respond to climate change.



Solar panels at Tianjin Toyota Boshoku Automotive Parts

*Power Purchase Agreement: An electricity sales contract consummated between a power company and a power generator

<CO₂ reduction through the introduction of renewable energy>



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

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.

More compact and lightweight products with reduction in CO₂ emissions throughout the life cycle

It is said that the majority of CO₂ emissions throughout the life cycle of a vehicle are accounted for when driving. Therefore, we conduct development and design based on the conviction that reducing weight and creating compact designs will contribute to increasing the fuel efficiency of cars and reducing CO₂ emissions. In fiscal 2020, a cylinder head cover which is 30% lighter than the conventional model has been employed in the Toyota Yaris. We achieved commercialisation while maintaining the thinness and rigidity of the cover.



Toyota Yaris cylinder head cover

3



Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling

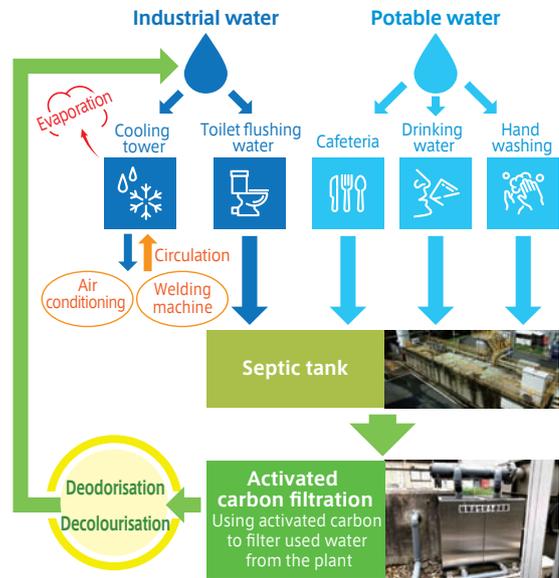
The Toyota Boshoku group recycles wastewater generated in the production process and is developing water-less processes with the aim of achieving zero wastewater. Efforts are also being made to reduce water consumption by using rainwater as part of the water supply. The Company contributes to energy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

Circulation recycling of water treated in septic tanks

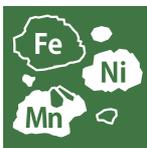
The Toyohashi-Kita Plant in Aichi Prefecture has independently developed equipment that filters and reuses the water that has been used in the plant, and has constructed a mechanism that completely prevents generation of wastewater at the plant.

The Toyohashi-Kita Plant uses two types of water: potable water for drinking and industrial water used for cooling industrial facilities and flushing toilets. Previously, 35 tons of used wastewater were released from septic tanks into the ocean. However, the plant achieved zero wastewater by using activated carbon in the newly-developed device to filter the wastewater, remove odour and yellow tint, and returning the treated water to the industrial water receiving tank used for cooling facilities and flushing toilets. A series of patents are pending for the circulation system.

In the future, we will implement this circulation system at other plants located in Toyohashi City, with the aim of achieving zero wastewater in the entire Toyohashi area.



4



Challenge of minimising natural resources usage

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.

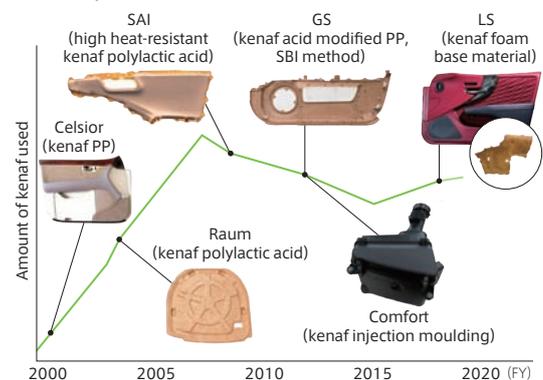
Sequential commercialisation of kenaf base materials

With the aim of reducing CO₂ throughout the vehicle life cycle, the Toyota Boshoku group is advancing product development that utilises kenaf, a fast-growing plant which has a high CO₂ absorption capacity. These kenaf base materials are widely used in automobile parts.

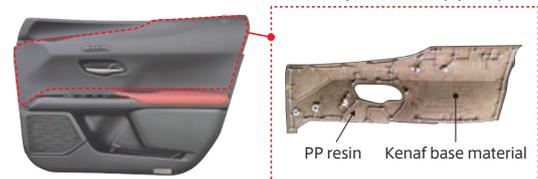
The weight of parts can be decreased by replacing petroleum-based materials used in interior parts with plant-based materials and by using kenaf, which has strong fibre strength, as a reinforcing material. In turn, the decrease weight will contribute to better fuel efficiency (reduce CO₂ while driving).

Door trim base material using kenaf fibre was first utilised in the Celsior in 2000. Since then, Toyota Boshoku has advanced our technology and expanded usage. Examples include 100% plant-derived parts made from kenaf and polylactic acid, the SBI method for injection moulding of resin parts simultaneously with press moulding of kenaf base material, and air cleaner cases made by injection moulding using kenaf. Recently, kenaf foam base material, which is one of the world's top-class lightweight base materials, is employed in the LEXUS LS. Furthermore, we are working to expand the product range by expanding the scope of application; for example, such as utilisation in the upper part of the LEXUS UX door trim.

< History of Kenaf >



Expanded upper part



LEXUS UX door trim

5



Challenge of minimising wastes produced by the Toyota Boshoku group

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.

Achieve 100% in-process recycling in the door trim process

Sanage Plant in Toyota Boshoku has promoted in-process recycling for runners which are generated during manufacturing in the door trim manufacturing process. In the previous processes, there were materials which could not be completely recycled. However, by reviewing the process and installing new recycling equipment, we succeeded in achieving 100% in-process recycling. These activities also reduced the amount of newly-purchased materials usage and decreased the number of processes, thus conserving energy. Moving forward, we will aim our efforts at similar manufacturing processes and aim for 100% in-process recycling.

6



Challenge of planting 1.32 million trees as part of reforestation activities

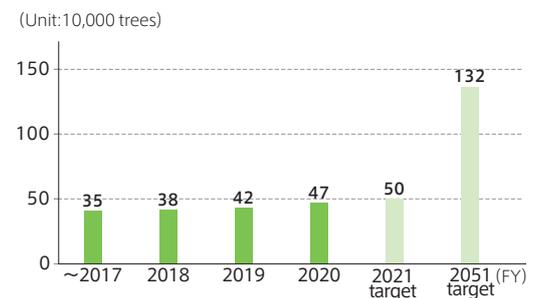
The Toyota Boshoku group is working to protect biodiversity with a focus on reforestation based on the Toyota Boshoku Basic Policy of Biodiversity. [web](#) Since 2015, the Company has participated in the Green Wave Project*1, an activity being implemented by the Toyota Group. The sphere of activities of the project has been expanded to include group companies, local communities and government in an effort to promote reforestation.

*1 Project aimed at creating a society that is in harmony with nature that has been implemented by the Toyota group since 2015

The Toyota Boshoku group's reforestation activities

The Toyota Boshoku group's reforestation activities have spread around the world and we are progressing towards our target of planting 1,320,000 trees by 2050. In fiscal 2020, we started global tree-planting activities in cooperation with NGOs in China, Vietnam, and Brazil. Through these activities, we planted 54,766 trees, thus exceeding our target of 54,000 trees. In fiscal 2021, we will continue to work even more closely with NGOs and other related organisations to promote global tree-planting and reforestation activities. By doing so, we will achieve our 2020 target for a cumulative total of 500,000 trees.

< Cumulative number of trees by 2050 >



TOPICS

Toyota Boshoku (China) received the Best Contributing Corporation Award from the China Green Foundation. Our company was highly evaluated for continuing reforestation activities in the Tengger Desert for seven years, as well as for the impact of those activities on society.

In Vietnam, started a project to plant 70,000 trees in an area of 35 hectares over a five-year period starting from fiscal 2020. Through these activities, we enhance the local environment by preventing blown sand, and contribute to the local economy. In fiscal 2020, the first year of the project, we planted 14,000 acacia trees in an area of seven hectares. Acacia trees grow in poor nutrient soil and are resistant to ocean breezes.



Ms. Yang of TBCH (third person from the left) participated in the award ceremony held in Beijing



30 participants from 7 households participated in tree-planting activities in Huê, Vietnam

Environmental Management

ISO14001

The Toyota Boshoku group completed the transition to the 2015 version of ISO14001 by fiscal 2019. In fiscal 2020, we are completing ISO14001 activities by holding internal audits and external audits at numerous business sites.

- Toyota Boshoku: 100%
- Japan affiliate's production sites: 100%
- Sites outside Japan: 100%

Activities for reducing the emission of chemical substances

For substances regulated by the VOC*2 and PRTR*3, Toyota Boshoku has reduced emissions by switching to a water-based coating and changing release agents to component containing less VOC and PRTR. We will continue to promote activities for reducing the amount of chemical substances used and the amount of emissions from plants.

*2 Volatile Organic Compounds (covers 100 substances designated by Japan's Ministry of the Environment)
 *3 Pollutant Release and Transfer Register

TOPICS Construction of an energy-saving office which incorporate advanced technology

In May 2020, Toyota Boshoku completed the main building, which is an energy-saving office that incorporates various energy-saving technologies. Some key points of the technologies are energy-saving and wellness control linked to lighting and air conditioning, a sunlight shading and daylight admission control system which uses the exterior screen 'Tsumugi-Oru', which is a reference to the kanji used in the name of Toyota Boshoku. Through these advanced energy-saving technologies, we have achieved ZEB Ready*4 and acquired an S rank for CASBEE*5. Moreover, the performance of these technologies were highly evaluated and adopted for the Leading Projects for Sustainable Buildings (Leading CO2 Reduction), a program run by the Ministry of Land, Infrastructure, Transport and Tourism.

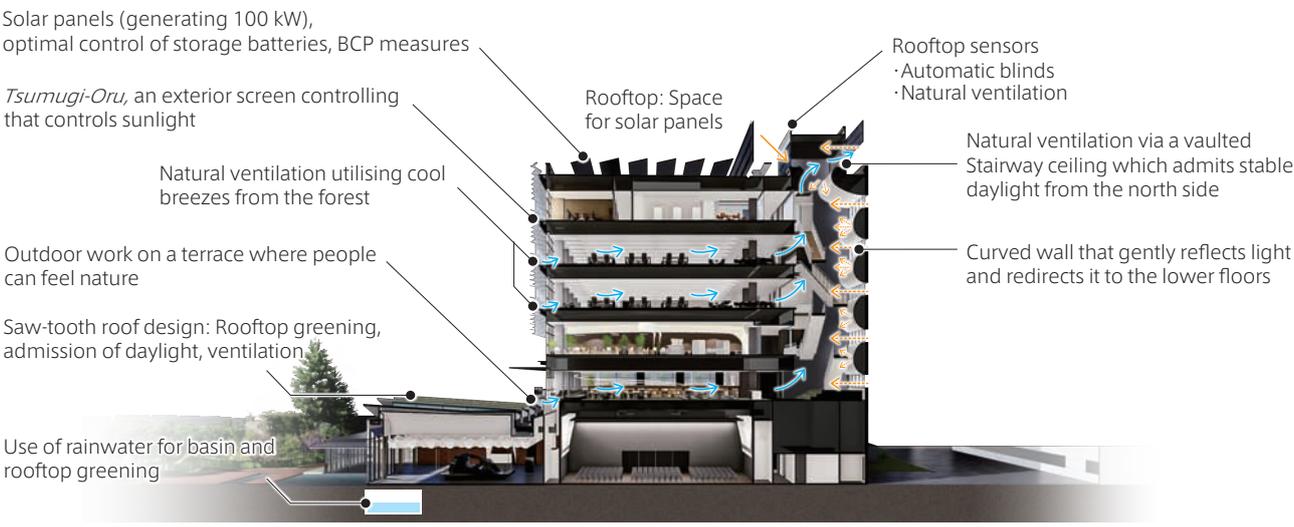
<Evaluation of energy-saving office>

- Achieved 50% reduction required for ZEB Ready
- Acquired S rank for CASBEE



Exterior screen in the image of safe fabric that flutter in the wind

*4 ZEB stands for 'Net Zero Energy Building'; in other words, a building which aims for an annual net balance of 'zero' in terms of energy consumed by the building. 'ZEB Ready' is a building that has reduced energy consumption by 50% or more from the standard amount of energy consumed.
 *5 CASBEE stands for 'Comprehensive Assessment System for Built Environment Efficiency'. This system comprehensively evaluates the quality of the building, including consideration for indoor comfort and scenery, as well as environmental considerations such as equipment and materials which conserve energy and have low environmental impact



KPIs for Fiscal 2020 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.

Stakeholder KPI (KPI critical for enhancing social value) (Assessment ○ : Achieved △ : Target achievement rate 80 to <100% × : Not achieved)

		Stakeholder KPI	FY 2020 targets	FY 2020 results	Evaluation	Page
Local communities & global society	Return profits to society S	Sustainable tax payments to local or national authorities	Make tax payments in all countries	Payments made	○	—
	Establishment of a low-carbon society E Environmental conservation	CO ₂ emissions and ratio of CO ₂ reduction with basic unit (t-CO ₂ , t-CO ₂ /units)	Reduce 2%/year	Reduced by 2.2%/year	○	—
Customers	Innovative technologies S	Number of world-first products developed	1	3	○	—
	Provision of outstanding quality/ Customers first S	IQS ^{*1} evaluation of seats by J.D. Power	Establishment of 11 items for IQS score improvement	11 items	○	47
Shareholders and investors	Return profits to shareholders G S	Equity turnover ratio	4.4 times	4.8 times	○	—
		Sustainable capitalisation by delivery of dividends (payout ratio)	30%	40.6%	○	48
Company members	Respect for company members S	Company members' satisfaction (KPI on vibrant work environment)	Over 70% positive response rate to 'satisfied with corporate life' question	67.2%	△	49
Business partners	Fair/transparent dealings G S	Suppliers' satisfaction	Implementation of survey	Held in November 2019	○	52

CSR KPI (KPI contributing to enhanced social value) (Assessment ○ : Achieved △ : Target achievement rate 80 to <100% × : Not achieved)

		CSR KPI	FY 2020 targets	FY 2020 results	Evaluation	Page
Local communities & global society	Compliance G	Implementation level for Guiding Principles	90%	93.6%	○	39
	Confidentiality management G	Number of confidential information leaks	0	0	○	41
	Compliance with laws and regulations G	Number of bribery violations	0	0	○	39
	Fair/transparent dealings G	Number of violations of antitrust laws	0	0	○	39
	Environmental conservation E	Number of environmental abnormalities and complaints ^{*2}	0	Abnormality 1	×	58
		Ratio of waste reduction with basic unit (t/units)	Reduce 1%/year	Reduced by 1.1%/year	○	—
		Rate of reduction in water consumption with basic unit (m ³ /unit)	Reduce 0.5%/year	Reduced by 0.6%/year	○	—
Social contribution S	Number of volunteer activity participants (Japan)	54,000 trees/year	54,766 trees/year	○	57	
		Total number: 7,200	Total number: 10,300	○	—	

G Governance S Social E Environment

*1 Initial Quality Study (IQS) serves as the industry benchmark for new-vehicle quality measured in the early stage of ownership

*2 Abnormalities: In case oil, etc., has leaked into a public waterway at a level that exceeds legal, by law 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



		CSR KPI	FY 2020 targets	FY 2020 results	Evaluation	Page
Customers	Customers first S	Prize-winning awards from customers	More than three awards (including Excellence Award)	4	○	—
Shareholders and investors	Disclosing information in a timely and appropriate manner G S	Compliance with timely and appropriate disclosure	Compliance: 100%	100%	○	48
		Dialogue with investors (5 times/year)	Investors' satisfaction positive response rate: 75%	61%	△	48
		Provide impartial information to individual investors	Investors' satisfaction 85%	85%	○	48
Company members	Respect for company members S	Number of female managers	26 persons	23 persons	△	—
		Designated employment rates of persons with disabilities	Designated employment rate more than 2.3%	2.21%	△	50
		Company members turnover rate of less than 3 years of joining the company	Less than 2.5%	2.2%(17persons)	○	—
		Encouragement to take paid holidays	Employees underutilising available paid leave 0 union members 0 managers	17 union members 5 managers	△	—
		Rate of people taking 3-day paid leave: 100%	100%	99.2%	△	—
		Overtime hours (Union members 660 hours/year)	Zero incidence of union members working more than 660 hours of overtime per year	0 persons	○	—
		Overtime hours (Union members 70 hours for three consecutive months)	Zero incidence of union members working 70 hours of overtime for three consecutive months	0 persons	○	—
	Safety/Health S	Number of fatal accidents (company members, temporary workers, fixed-term plant workers)	0	0	○	51
		Receipt and coverage ratio for legal health check/voluntary health check	100% consultation ratio for health checks in Japan region 100% in regions outside Japan	100% 99.3%	△	51
		Lifestyle disease: Ratio of persons with BMI of 25 or above	Target person ratio: 24.4% or less	29.6%	×	—
		Lifestyle disease: Smoking rate	33.4% or less	32.7%	○	51
		Stress check execution rate	Implementation rate 100%	100%	○	—
	Business partners	Fair/transparent dealings G S	Hold Supplier CSR briefing	1/year	Held in September 2019	○
Ensure suppliers conduct self-assessment			Response rate of questionnaires 100% self-assessment Self-assessment less than 50 points: 0	Response rate of questionnaires 100% Less than 50 points: 2 companies	△	52
Conduct a self-check and internal audit on purchasing ethics inside Toyota Boshoku (departments related to purchasing and subcontracting)			Cases of serious breach: 0	Cases of serious breach: 0	○	—
Safety S		Number of fatal accidents by non-Toyota Boshoku group workers or members	Fatal accidents: 0	Fatal accidents: 0	○	51

G Governance S Social E Environment

Financial Review

Overview of fiscal 2020 (year ended March 31, 2020)

From fiscal 2019, the Toyota Boshoku group has adopted International Financial Reporting Standards (IFRS).

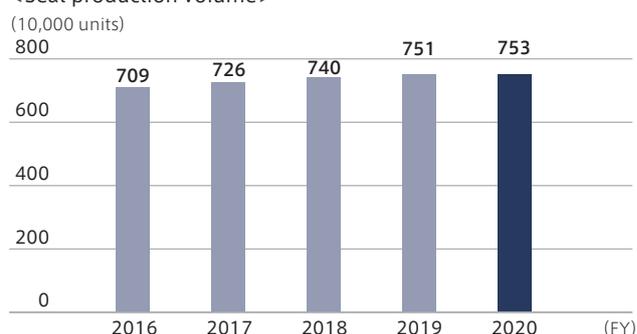
Looking at the world situation, the economic growth rate of each country declined due to heightened barriers to trade and increased uncertainty about the geopolitical situation. Most recently, economic activity has stopped due to the global spread of COVID-19, and the world is falling into a serious recession.

There are also concerns that the Japanese economy will enter a recession due to decreased external demand caused by the stagnation of exports in response to the decline of overseas economies, decreased personal consumption due to the increased consumption tax, and the impact of COVID-19.

● Seat production volume

The Toyota Boshoku group's total seat production volume on a consolidated basis rose 30,000 units from fiscal 2019 to 7.53 million seats. By geographic region, seat production volume in Japan increased 110,000 units from fiscal 2019 to 3.27 million seats. In The Americas, total seat production volume rose 100,000 units from fiscal 2019 to 1.22 million seats. In Asia & Oceania, seat production fell 120,000 units from fiscal 2019 to 2.23 million seats due to the impact of COVID-19. In Europe & Africa, seat production decreased 70,000 units from fiscal 2019 to 820,000 seats due mainly to decreased production of compact cars.

<Seat production volume>

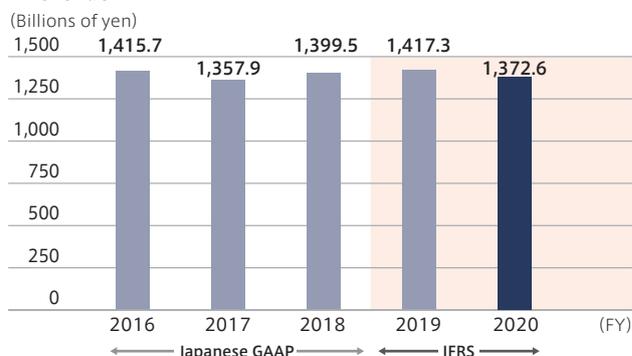


Profits and losses

● Revenue

Despite an increase in the number of units produced, revenue decreased 44.7 billion yen (3.2%) from fiscal 2019 to 1,372.6 billion yen due to such factors as a model mix change and the impact of currency exchange rates.

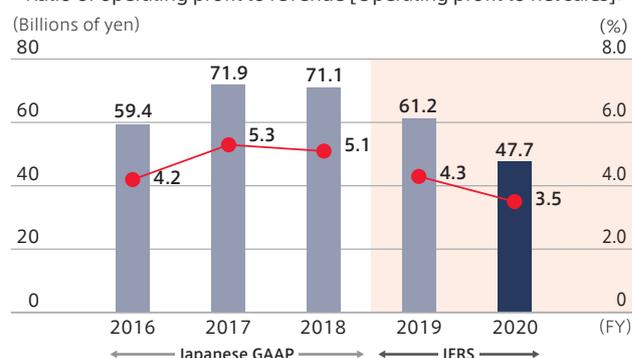
<Revenue>



● Operating profit

Operating profit decreased 13.4 billion yen (22.0%) from fiscal 2019 to 47.7 billion yen due to such income-reducing factors as the impact of higher overhead costs and the impact of stopping operations due to the spread of COVID-19.

<Operating profit/ Ratio of operating profit to revenue [Operating profit to net sales]>



● Ratio of operating profit to revenue



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/>

● Profit before income taxes

Profit before income taxes decreased 13.4 billion yen (21.8%) from fiscal 2019 to 48.0 billion yen.

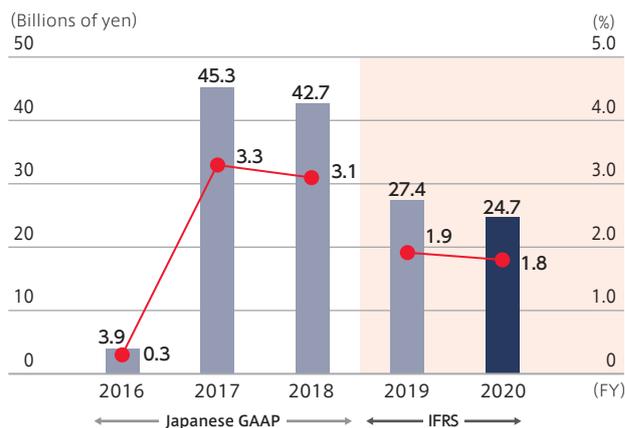
● Profit attributable to owners of the parent

Profit attributable to owners of the parent decreased 2.6 billion yen (9.7%) from fiscal 2019 to 24.7 billion yen.

● Income tax expense

Income tax expense decreased 10.9 billion yen (39.9%) from fiscal 2019 to 16.4 billion yen. The ratio of profit before income taxes decreased from 44.5% in fiscal 2019 to 34.2%.

< Profit attributable to owners of the parent / Ratio of profit attributable to owners of the parent to revenue >

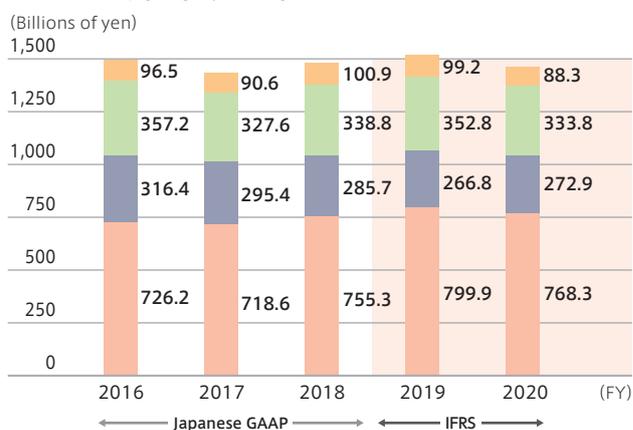


● Ratio of profit attributable to owners of parent to revenue

● Revenue and operating profit by geographic region

Despite an increase in the number of units produced, revenue in Japan decreased 31.5 billion yen (3.9%) from fiscal 2019 to 768.3 billion yen due to such factors as a model mix change. Operating profit rose 3.6 billion yen (55.5%) from fiscal 2019 to 10.2 billion yen due to the effects of increased production and the impact of an Advance Pricing Arrangement (APA). In The Americas, revenue increased 6.0 billion yen (2.3%) from fiscal 2019 to 272.9 billion yen due to the increased number of units produced. Operating profit fell 20.0 billion yen (95.9%) from fiscal 2019 to 800 million yen due to the impact of higher overhead costs and an Advance Pricing Arrangement (APA). In Asia & Oceania, revenue decreased 19.0 billion yen (5.4%) from fiscal 2019 to 333.8 billion yen due to a decrease in the number of units produced caused by operation stoppage in conjunction with the spread of COVID-19 in China. Despite the impact of decreased production, operating profit increased 7.4 billion yen (28.4%) from fiscal 2019 to 33.6 billion yen due to the impact of an Advance Pricing Arrangement (APA). In Europe & Africa, revenue fell 10.8 billion yen (11.0%) from fiscal 2019 to 88.3 billion yen due to such factors as a decrease in the number of units produced caused by operation stoppage in conjunction with the spread of COVID-19 and the impact of currency exchange rates. Operating profit decreased 4.6 billion yen (60.5%) from fiscal 2019 to 3.0 billion yen due to such factors as the impact of decreased production and the estimated loss associated with the fund-leakage incident at European subsidiaries.

< Revenue by geographic region >



Japan The Americas Asia & Oceania Europe & Africa

*Asia & Oceania includes China.

*Adjusted amounts for transactions among regions are not included.

Financial Review

Cash flow

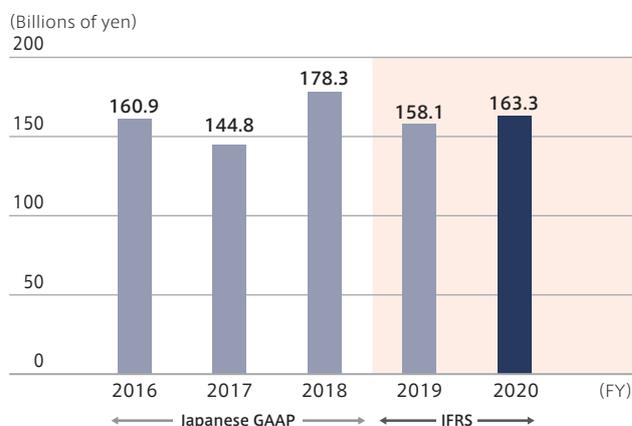
Cash and cash equivalents at end of period on a consolidated basis in fiscal 2020 increased 5.1 billion yen (3.3%) from fiscal 2019 to 163.3 billion yen.

Net cash provided by operating activities amounted to 79.6 billion yen. This was due mainly to such cash-increasing factors as profit before income taxes of 48.0 billion yen and a decrease of 37.9 billion yen in trade receivables, despite such cash-decreasing factors as a decrease of 29.6 billion yen in trade payables.

Net cash used in investing activities was 54.1 billion yen. This was due mainly to such cash-decreasing factors as purchase of property, plant and equipment of 49.8 billion yen.

Net cash used in financing activities was 13.9 billion yen. Despite such cash-increasing factors as proceeds from short-term borrowings of 14.2 billion yen, cash decreased due to cash dividends paid of 10.4 billion yen, expenditures of 6.8 billion yen for acquisition of subsidiary interests from non-controlling interests, and cash dividends paid of 4.6 billion yen to non-controlling interests.

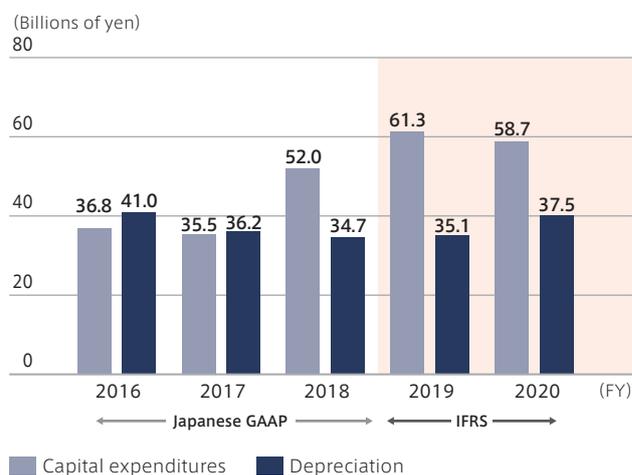
<Cash and cash equivalents at end of period>



Overview of capital expenditures

In fiscal 2020, total capital expenditures amounted to 58.7 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 and The Americas. Capital expenditures in Japan amounted to 35.7 billion yen and were mainly for measures for new products, rationalising and upgrading production facilities, and establishing new information systems. Capital expenditures in the Americas amounted to 11.5 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities. Capital expenditures in Asia & Oceania amounted to 8.1 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities. Capital expenditures in Europe & Africa amounted to 3.1 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities.

<Capital expenditures/Depreciation>

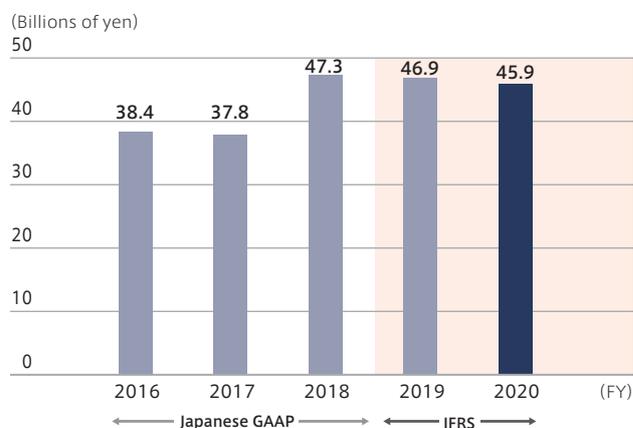


R&D

● Basic policy of R&D activities

The Toyota Boshoku group works to develop appealing high-quality products that meet the expectations of all customers throughout the world by leveraging the Company's own unique technologies and structures in accordance with the basic concept of 'developing products that earn the trust of and satisfy customers'. The Toyota Boshoku group anticipates the ongoing sophistication and diversification of customer needs and strives to develop appealing technologies and products unrivalled by our competitors while further enhancing our 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 good products at a reasonable prices to ensure we can respond to the sharp expansion of emerging country markets. In fiscal 2020, R&D expenses, including development expenses recorded under intangible assets, amounted to 45.9 billion yen.

< R&D expenses >



Business and other risks

The following are the main risks that could have a significant impact on the Toyota Boshoku group's financial condition, business results, and cash flow.

- | | |
|---|--|
| (1) Economic conditions, etc. | (7) Environmental restrictions |
| (2) Dependence on particular/certain customers | (8) New product development capabilities |
| (3) Latent risks in undertaking international activities or overseas business expansion | (9) Intellectual property rights |
| (4) Exchange rate fluctuations | (10) Product defects |
| (5) Price competition | (11) Major natural disasters, etc. |
| (6) Dependence on raw materials and components supply sources | (12) Retirement benefit obligations |

The Toyota Boshoku group comprehensively ascertains and manages risks including those listed above at the Risk Management Promotion Meeting, and engages in activities to prevent and minimise losses caused by the risks.

Financial Review

Outlook for fiscal 2021*

From fiscal 2019, the Toyota Boshoku group has adopted International Financial Reporting Standards (IFRS).

In fiscal 2021, we expect revenue to increase through such factors as greater efficiency and streamlining of overhead costs, despite decreased revenue due to such factors as stopping operations caused by the spread of COVID-19. Nonetheless, we forecast that operating profit will decrease due to such factors as the impact of decreased production caused by COVID-19 and increased labour costs in association with maintaining employment.

● Seat production volume

On an overall consolidated basis, we forecast that seat production volume will decrease 1.02 million units from fiscal 2020 to 6.51 million seats. By geographic region, in Japan, we forecast that seat production volume will decrease 660,000 units from fiscal 2020 to 2.61 million seats. In The Americas, production is expected to fall 110,000 units from fiscal 2020 to 1.11 million seats. In Asia & Oceania, we forecast that total seat production volume will decrease 150,000 units from fiscal 2020 to 2.07 million seats. In Europe & Africa, we forecast that production will decrease 100,000 units from fiscal 2020 to 720,000 seats.

● Factors underlying changes in operating profit

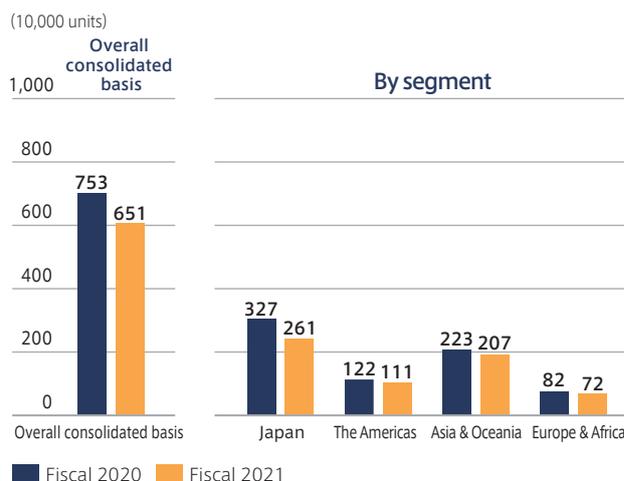
Despite our forecast that revenue will increase due to such factors as greater efficiency and streamlining of overhead costs, we forecast that operating profit will decrease 34.7 billion yen from fiscal 2020 to 13.0 billion yen due to such factors as the impact of decreased production caused by COVID-19 and increased labour costs in association with maintaining employment.

< Fiscal 2021 results forecast >

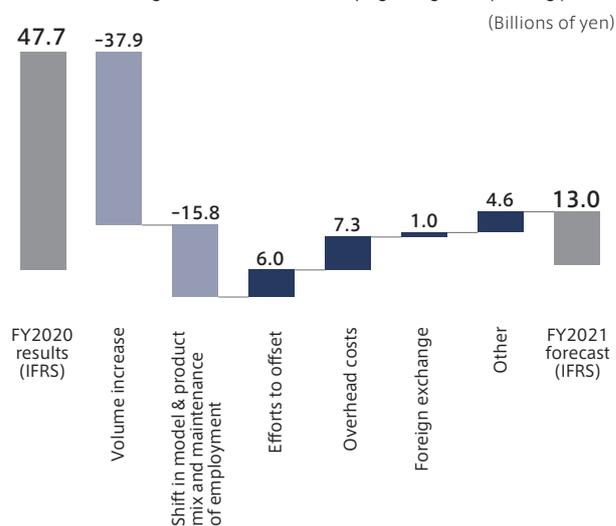
	FY2020 results	FY2021 forecast
Revenue	1,372.6 billion yen	1,140 billion yen
Operating profit	47.7 billion yen	13 billion yen
Profit attributable to owners of the parent	24.7 billion yen	-5.0 billion yen
Seat production volume	7.53 million units	6.51 million
Basic earnings per share	132.88 yen	-26.76 yen
Cash dividends per share	54.00 yen	TBD
Exchange rates	US dollar	109 yen
	Euro	121 yen
		106 yen
		120 yen

* Announced on July 31, 2020

< Number of seats produced >



< Fiscal 2021 earnings forecast: Factors underlying changes in operating profit >



● Forecast of results by geographic region

Revenue in Japan is expected to decrease 153.3 billion yen from fiscal 2020 to 615.0 billion yen. Despite such measures as greater efficiency and streamlining of overhead costs, we forecast that operating loss in Japan will decrease 23.3 billion yen to 13.0 billion yen due to such factors as the impact of decreased production caused by COVID-19.

In The Americas, revenue is expected to decrease 23.0 billion yen from fiscal 2020 to 250.0 billion yen. We forecast that operating profit will increase 1.7 billion yen from fiscal 2020 to 2.5 billion yen due to such factors as greater efficiency of overhead costs and temporary elimination of the inefficiency in conjunction with a change in model mix, although there was the impact of decreased production caused by COVID-19.

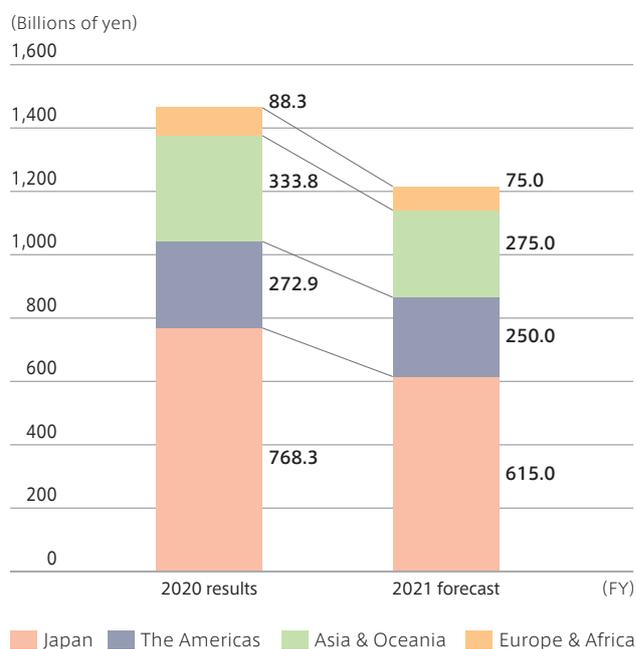
In Asia & Oceania, we forecast a 58.8 billion yen decrease in revenue from fiscal 2020 to 275.0 billion yen. Despite such factors as the impact of increased production in China, we forecast that operating profit will decrease 12.7 billion yen from fiscal 2020 to 21.0 billion yen due to such factors as the impact of decreased production caused by COVID-19 in ASEAN countries.

In Europe & Africa, we expect revenue will decrease 13.3 billion yen from fiscal 2020 to 75.0 billion yen. Despite the impact of decreased production caused by COVID-19, operating profit is forecast to remain at the fiscal 2020 level of 2.5 billion yen due to such factors in the previous fiscal year as losses associated with fund-leakage incident.

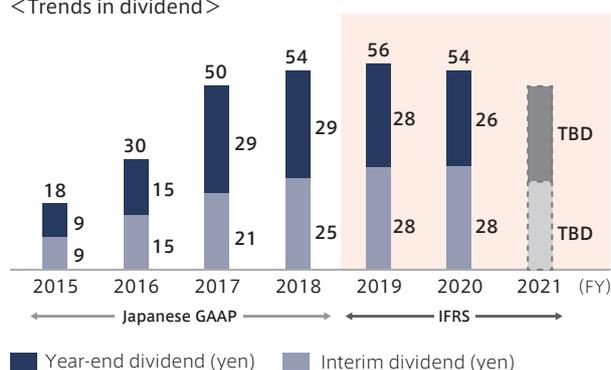
● Cash dividends

We have yet to decide the interim cash dividend and the year-end cash dividend for fiscal 2020. Our basic policy is to continue paying stable dividends over the long term; however, at the current time, we believe that securing cash on hand to prepare for stabilisation of management and employment in the event of an unexpected situation is an urgent issue. Accordingly, we plan to decide on the amounts after comprehensively considering business results, etc., for the first half, and to promptly announce the amounts immediately after said decision.

<Revenue by region>



<Trends in dividend>



10-Year Financial Summary

	Japanese GAAP		
	FY2011	FY2012	FY2013
Revenue	¥ 983,727	¥ 964,295	¥ 1,079,497
Operating profit	36,856	20,910	25,302
Profit attributable to owners of the parent	11,466	3,232	15,792
Total equity	196,992	190,347	220,740
Capital stock	8,400	8,400	8,400
Total assets	504,472	597,654	583,955
Capital expenditures	41,229	37,583	36,805
Depreciation	32,342	31,529	32,744
R&D expenses	32,434	32,543	36,321

Per Share Data (Yen)

Basic earnings	¥ 61.82	¥ 17.45	¥ 85.23
Diluted earnings*	61.82	—	—
Cash dividends	16.00	16.00	18.00
Equity attributable to owners of the parent	890.78	868.93	1,010.49

Cash Flow

Net cash provided by operating activities	¥ 60,630	¥ 46,920	¥ 44,474
Net cash provided by (used in) investing activities	(40,462)	(76,108)	5,826
Net cash provided by (used in) financing activities	(15,345)	30,748	(41,942)
Cash and cash equivalents	113,950	113,947	129,323

Financial Indicators (%)

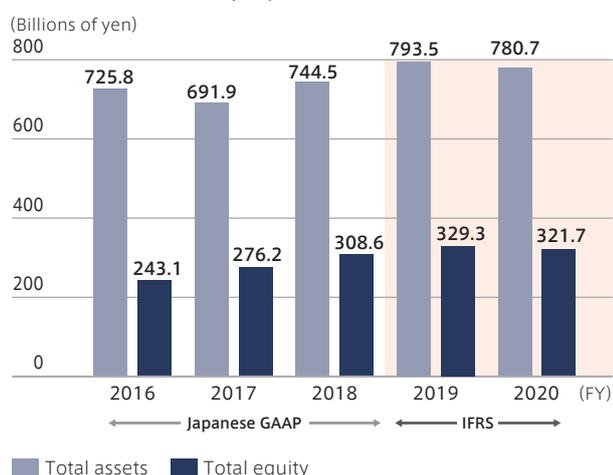
Ratio of operating profit to revenue	3.7	2.2	2.3
ROA: Ratio of total assets to profit attributable to owners of the parent	2.3	0.5	2.7
ROE: Ratio of profit to equity attributable to owners of the parent	7.0	2.0	9.1
Ratio of equity attributable to owners of the parent	32.7	26.9	32.1

Shareholders' Equity (at fiscal year-end)

Number of shares issued (Thousands)	187,665	187,665	187,665
Number of employees (excluding temporary employees)	27,856	31,883	32,986

*With regard to diluted earnings per share [diluted net income per share of common stock] in 2012, 2013, 2014, 2015, 2018, 2019 and 2020, there were no latent shares with dilutive effects.

Total assets/Total equity



Ratio of equity attributable to owners of the parent

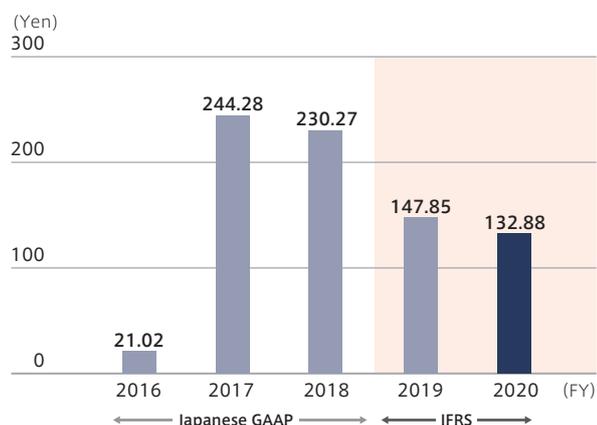


Years ended March 31

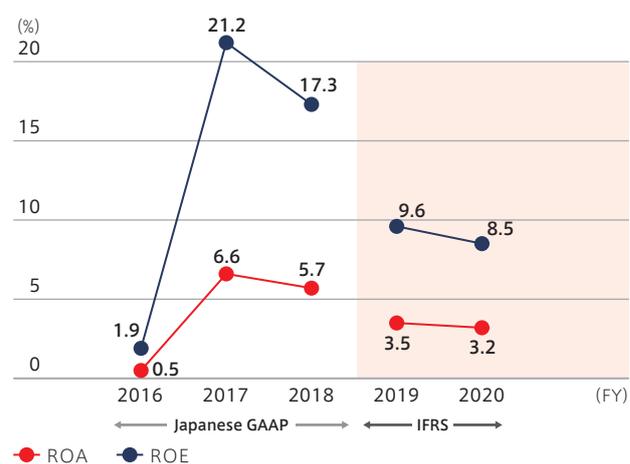
Millions of yen

							IFRS
FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	
¥1,218,399	¥1,305,502	¥1,415,772	¥1,357,913	¥1,399,530	¥1,417,376	¥1,372,616	
28,823	32,393	59,492	71,936	71,198	61,257	47,785	
12,610	5,204	3,900	45,359	42,762	27,457	24,786	
249,082	264,038	243,146	276,274	308,620	329,329	321,701	
8,400	8,400	8,400	8,400	8,400	8,400	8,400	
659,008	719,680	725,895	691,921	744,558	793,599	780,714	
51,116	50,190	36,898	35,500	52,095	61,341	58,715	
36,302	40,121	41,012	36,228	34,755	35,153	37,575	
40,189	38,821	38,450	37,884	47,393	46,965	45,902	
¥ 68.05	¥ 28.08	¥ 21.02	¥ 244.28	¥ 230.27	¥ 147.85	¥ 132.88	
—	—	21.02	244.27	—	—	—	
18.00	18.00	30.00	50.00	54.00	56.00	54.00	
1,115.69	1,164.36	1,065.72	1,240.77	1,414.91	1,573.44	1,557.93	
¥ 49,590	¥ 65,536	¥ 78,912	¥ 95,389	¥ 86,117	¥ 60,720	¥ 79,673	
(51,867)	(51,615)	(48,086)	(48,927)	(51,707)	(58,915)	(54,175)	
(5,636)	516	(8,739)	(61,347)	(3,528)	(19,526)	(13,964)	
126,648	143,493	160,904	144,889	178,372	158,192	163,377	
2.4	2.5	4.2	5.3	5.1	4.3	3.5	
1.9	0.7	0.5	6.6	5.7	3.5	3.2	
6.4	2.5	1.9	21.2	17.3	9.6	8.5	
31.4	30.0	27.3	33.3	35.3	36.8	37.3	
187,665	187,665	187,665	187,665	187,665	187,665	187,665	
38,198	41,509	41,624	41,428	41,409	43,103	44,375	

Basic earnings per share



ROA: Ratio of total assets to profit attributable to owners of the parent
 ROE: Ratio of profit to equity attributable to owners of the parent



Consolidated Statement of Financial Position

As of March 31, 2019 and 2020

Millions of yen

Assets	2019	2020
Current assets		
Cash and cash equivalents	¥ 158,192	¥ 163,377
Trade and other receivables	241,562	197,081
Inventories	65,282	68,166
Other financial assets	16,843	15,120
Income taxes receivable	4,637	4,827
Other current assets	7,103	8,976
Total current assets	493,621	457,548
Non-current assets		
Property, plant and equipment	233,978	256,661
Goodwill	4,876	4,871
Intangible assets	10,106	10,873
Investments accounted for using equity method	11,891	15,011
Other financial assets	20,587	18,561
Deferred tax assets	14,144	15,572
Other non-current assets	4,393	1,614
Total non-current assets	299,978	323,166
Total assets	¥ 793,599	¥ 780,714



As of March 31, 2019 and 2020

Millions of yen

	2019	2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	¥ 207,166	¥ 179,103
Bonds and borrowings	22,923	50,231
Other financial liabilities	2,316	3,410
Income taxes payable	6,241	6,302
Provisions	2,793	3,921
Other current liabilities	67,195	70,358
Total current liabilities	308,637	313,327
Non-current liabilities		
Bonds and borrowings	91,838	74,301
Other financial liabilities	1,254	7,758
Retirement benefit liability	57,676	58,982
Provisions	255	255
Deferred tax liabilities	2,699	2,776
Other non-current liabilities	1,909	1,611
Total non-current liabilities	155,632	145,685
Total liabilities	464,269	459,013
Equity		
Share capital	8,400	8,400
Capital surplus	7,570	3,044
Retained earnings	275,160	289,880
Treasury shares	(3,875)	(1,674)
Other components of equity	4,943	(8,599)
Total equity attributable to owners of the parent	292,199	291,051
Non-controlling interests	37,130	30,649
Total equity	329,329	321,701
Total liabilities and equity	¥ 793,599	¥ 780,714

Consolidated Statement of Profit or Loss

For the years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Revenue	¥ 1,417,376	¥ 1,372,616
Cost of sales	1,269,857	1,238,561
Gross profit	147,518	134,054
Selling, general and administrative expenses	85,375	84,323
Other income	5,206	5,847
Other expenses	6,092	7,792
Operating profit	61,257	47,785
Finance income	2,562	2,245
Finance expenses	3,293	2,865
Share of profit of investments accounted for using equity method	962	908
Profit before income taxes	61,489	48,074
Income tax expense	27,352	16,446
Profit for the period	34,136	31,628
Profit attributable to		
Owners of the parent	27,457	24,786
Non-controlling interests	6,678	6,841
Profit attributable to owners of the parent per share		
Basic earnings per share (Yen)	¥ 147.85	¥ 132.88
Diluted earnings per share (Yen)	—	—

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Profit for the period	¥ 34,136	¥ 31,628
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,844)	257
Net change in fair value of equity instruments measured at fair value through other comprehensive income	(758)	(1,904)
Share of other comprehensive income of investments accounted for using equity method	—	100
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(60)	(13,317)
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(11)	(0)
Share of other comprehensive income of investments accounted for using equity method	(187)	(302)
Total other comprehensive income	(3,863)	(15,165)
Comprehensive income	30,273	16,462
Comprehensive income attributable to		
Owners of the parent	24,003	11,636
Non-controlling interests	¥ 6,269	¥ 4,825



Consolidated Statement of Cash Flows

For the years ended March 31, 2019 and 2020

Millions of yen

	2019	2020
Cash flows from operating activities		
Profit before income taxes	¥ 61,489	¥ 48,074
Depreciation and amortization	35,153	40,223
Interest and dividend income	(1,647)	(1,920)
Decrease (increase) in trade receivables	(5,795)	37,983
Decrease (increase) in inventories	(17,566)	(4,387)
Increase (decrease) in trade payables	9,557	(29,601)
Increase (decrease) in liabilities related to retirement benefits	1,089	1,659
Other	3,811	3,646
Subtotal	86,092	95,678
Interest received	1,463	1,725
Dividends received	694	1,046
Interest paid	(1,502)	(1,435)
Income taxes paid	(26,028)	(17,342)
Net cash provided by (used in) operating activities	60,720	79,673
Cash flows from investing activities		
Purchase of property, plant and equipment	(55,735)	(49,848)
Proceeds from sales of property, plant and equipment	2,243	1,799
Purchase of intangible assets	(4,436)	(3,235)
Purchase of equity instruments	(417)	(3,864)
Payments into time deposits	(4,466)	(8,118)
Proceeds from withdrawal of time deposits	3,311	10,041
Other	585	(949)
Net cash provided by (used in) investing activities	(58,915)	(54,175)
Cash flows from financing activities		
Proceeds from short-term borrowings	14,771	14,219
Repayments of short-term borrowings	(529)	(534)
Proceeds from long-term borrowings	23,000	—
Repayments of long-term borrowings	(20,054)	(3,674)
Redemption of bonds	(10,000)	—
Dividends paid	(10,582)	(10,423)
Dividends paid to non-controlling interests	(8,504)	(4,660)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(7,868)	(6,883)
Expenditures for repayment of lease liabilities	(193)	(2,007)
Other	434	(0)
Net cash provided by (used in) financing activities	(19,526)	(13,964)
Effect of exchange rate changes on cash and cash equivalents	(2,458)	(6,348)
Net increase (decrease) in cash and cash equivalents	(20,179)	5,184
Cash and cash equivalents at beginning of period	178,372	158,192
Cash and cash equivalents at end of period	¥ 158,192	¥ 163,377

Profile

More than 50,000 vibrant Toyota Boshoku group members undertake its business at development and manufacturing bases in the various countries and regions throughout the world.



Business Overview

Corporate Information	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	98	companies (including Toyota Boshoku)
Net Sales	1,372.6	billion yen

(Ended March 31, 2020)



Japan

TOYOTA BOSHOKU

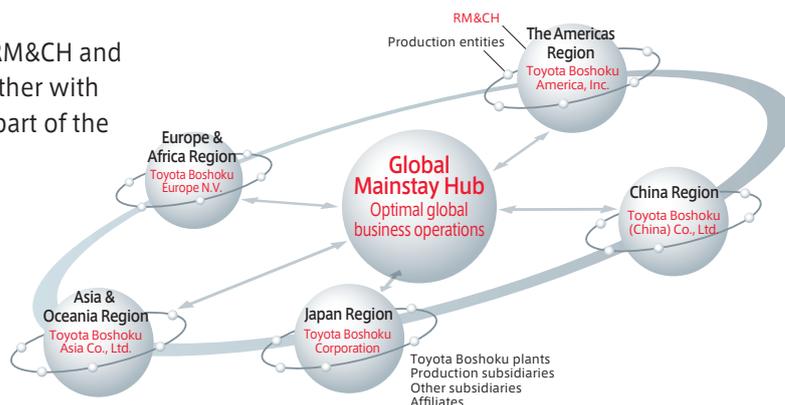
Global Network

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



One Hub per Region

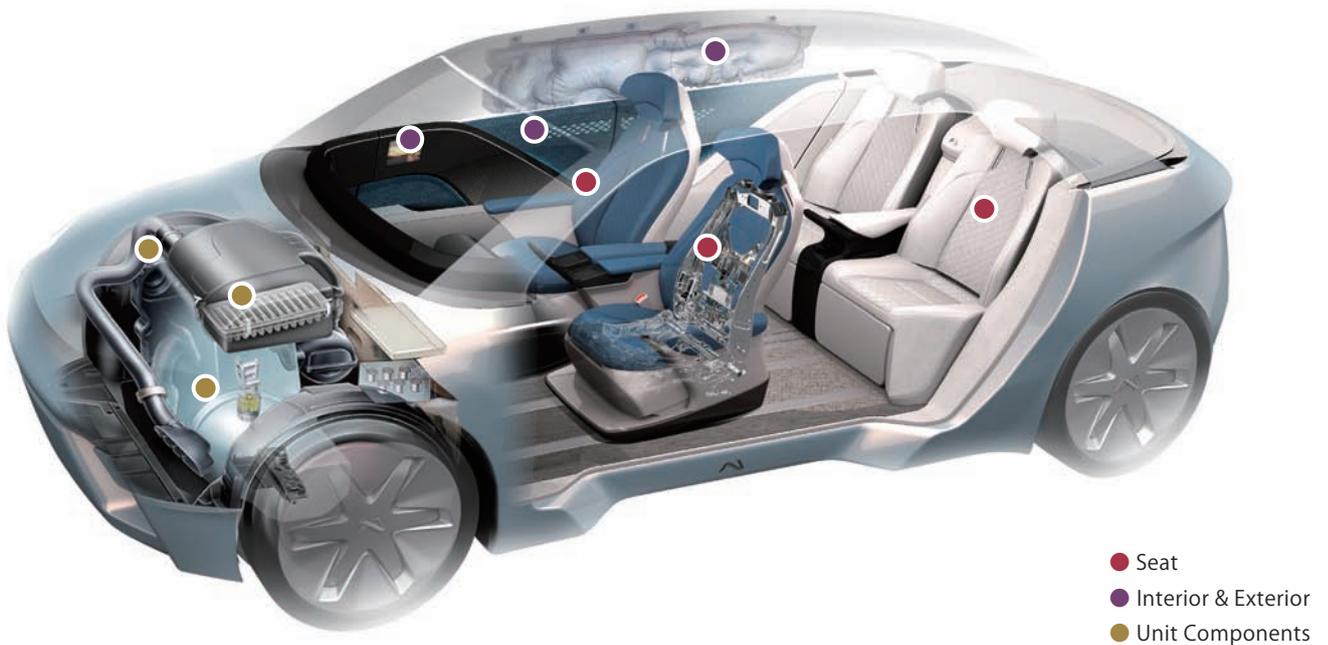
Along with close cooperation between the RM&CH and the Global Mainstay Hub, RM&CH work together with production entities in respective regions as part of the 'one hub per region' structure.



Business Domains

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.



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.



■ Filters



Air filters

Oil filters

Cabin air filters



MIRO

■ Fuel Cell-related Products



Stack manifolds

Separators

Lithium-ion batteries

■ Air Induction Systems Products



Air induction systems

Air cleaners

Intake manifolds
(For horizontally opposed engine)



Oil mist separators

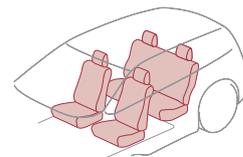
■ Electric Powertrain-related Products



Motor core constituent parts
(For hybrid system)

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 Segment Chief of the Seat Business Segment
▶ P.21

■ Automobile Seats



Sports seats
(For automobile racing)

Seat frames



■ Non-automobile Seats



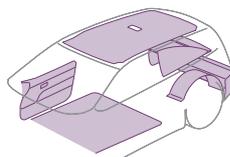
Railway seats
(Photo provided by East Japan Railway Company)



Aircraft seats

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 Segment Chief of the Interior & Exterior Business Segment
▶ P.22

■ Interior Components



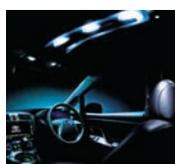
Interior system



Door trims



Headliners



Illuminations



Package trays

■ Exterior Components



Bumpers



Fender liners

Others

■ Textile Components



Seat fabrics



Seatbelt webbings



Curtain-shield airbags

Investor Information

As of March 31, 2020

Total Number of Shares

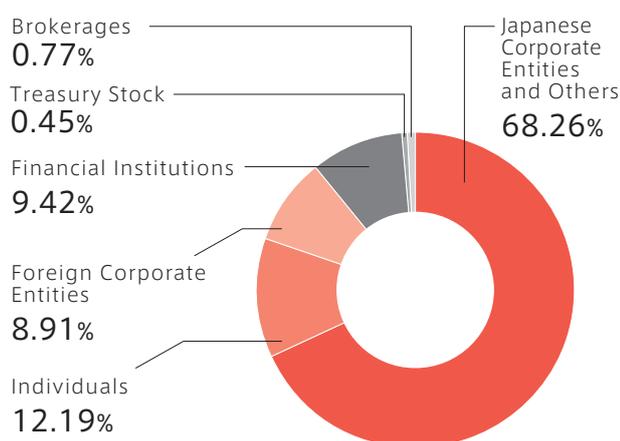
Number of shares authorised to be issued 500,000,000

Number of shares outstanding 186,820,002
(excluding treasury stock of 845,736)

Number of Shareholders

14,715

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)	8,336 (non-consolidated) 44,375 (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)



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.



The Development Bank of Japan Inc. (DBJ) assigns scores to businesses for environmentally responsible management, selecting and ranking superior companies while setting conditions for financing according to those scores. Toyota Boshoku has received the bank's highest rating, and recognised as 'particularly innovative in its environmental efforts'.

Evaluations



This NGO requires disclosure of strategies towards climate change and information on greenhouse gas emissions and publishes an evaluation score worldwide. Toyota Boshoku was recognised as a Water Security 'A List' Company, the Top Ranking, by CDP.



Toyota Boshoku was certified as an Excellent Enterprise of Health and Productivity Management 2020 (large enterprise category) jointly selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

On Publishing the Toyota Boshoku Report

The Toyota Boshoku Report introduces the Toyota Boshoku group's initiatives for enhancing corporate value from business, governance, social and environmental aspects and we regard this publication as a valuable tool for providing stakeholders with a deeper understanding of the Toyota Boshoku group. This report is produced as an integrated report centred on the Value Creation Story that articulates how the Toyota Boshoku group provides society with value leveraging its unique strengths cultivated to the present in keeping with the Principles of Toyoda handed down since its founding.

In addition to communicating the group's focus on being an Interior Space Creator, as we incorporate CSV into our management, the contents of this year's report have been further expanded to list newly formulated materials such as materiality.

FY2021 is an important year for formulating the next mid-term business plan as the final year of the 2020 business plan. The Toyota Boshoku group is resolutely implementing the 2020 business plan in order to achieve our Vision and working as one throughout the company in addressing issues. In the future as well, we will listen faithfully to the opinions of our stakeholders throughout the world and will continue to make even greater efforts for enhancing corporate value.



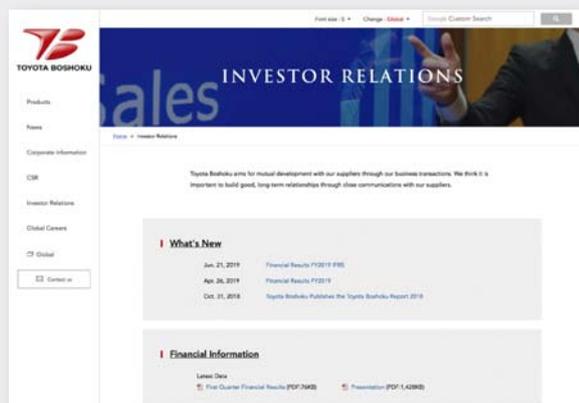
Hidenori Ozaki

Segment Chief,
Corporate Planning & Innovation Segment

Toyota Boshoku discloses even more detailed information on our website. Please see 'Investor Relations' for an overview of business and financial matters, and 'CSR' for non-financial information such as CSR-related activities.

■ Investor Relations

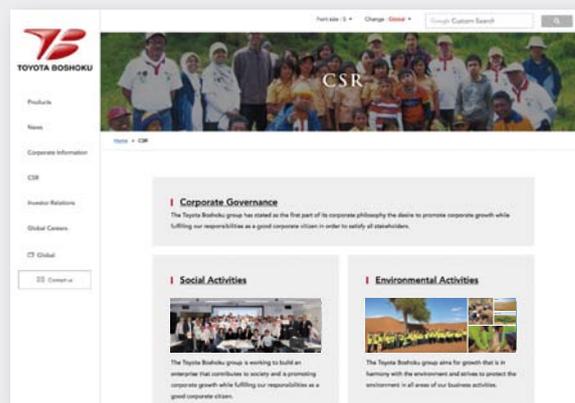
<https://www.toyota-boshoku.com/global/ir/>



- Financial Report
- IR Library
- Financial results
- Corporate governance report
- Financial results briefing movies
- Securities report
- Interim report
- Bonds and Rating Information

■ CSR

<https://www.toyota-boshoku.com/global/csr/>



- CSR at Toyota Boshoku
- Social Contribution
- 2050 Environmental Vision and 2020 Environmental Action Plan
- Environmental Information

Inquiries regarding this report and requests for booklets are accepted at 'Contact us' on our company website.
<https://www.toyota-boshoku.com/global/inquiry/>

