

# Mid-term Business Implementation Plan 2020

# Mid-term Business Implementation Plan 2020

- (1) Overview
- (2) Actions toward ensuring effectiveness
- (3) Progress
- (4) Updating the mid-term profit plan

# Mid-term Business Implementation Plan 2020

(1) Overview

(2) Actions toward ensuring effectiveness

(3) Progress

(4) Updating the mid-term profit plan

## Vision

**The company we aim to become**

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

*Design your passion with TOYOTA BOSHOKU*

### **(1) Our desired status in business**

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

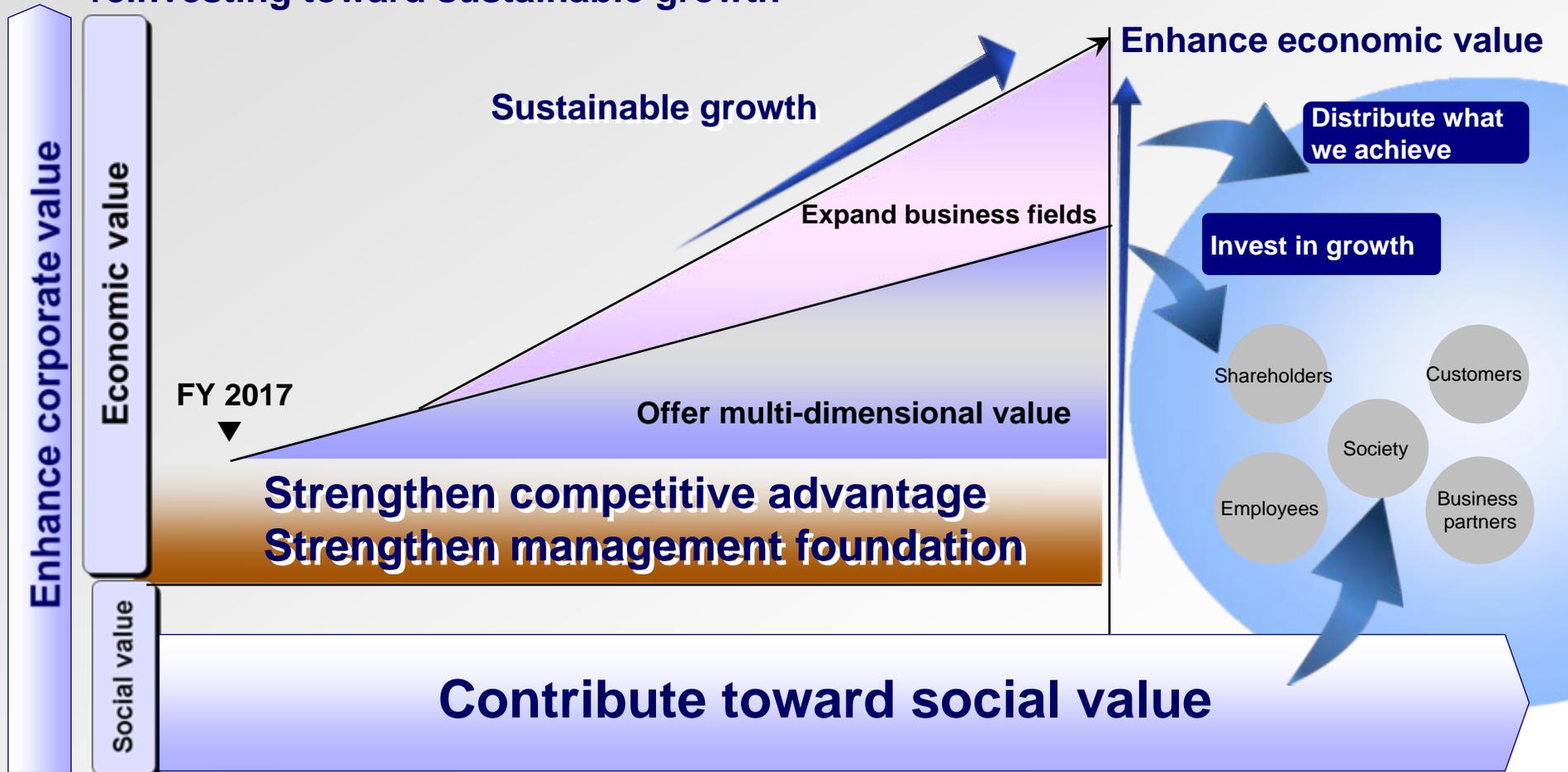
### **(2) Our desired status in society**

**A trusted company that grows together with all stakeholders**

# Mid-term Business Implementation Plan 2020 (1) Overview

## Enhancement of corporate value on a mid- to long-term basis and distribution of what we achieve

Distribute to our stakeholders what we have achieved by enhancing corporate value, and meet the mid- to long-term expectations of our stakeholders by reinvesting toward sustainable growth

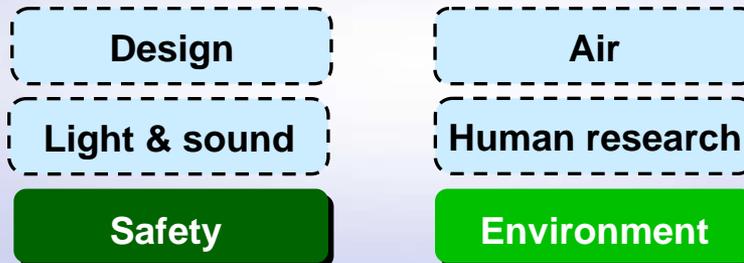


## Our desired status in business

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

**QUALITY OF TIME AND SPACE**  
Offer “quality of time and space” in all mobility

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



Expand business fields

Offer multi-dimensional value

# Mid-term Business Implementation Plan 2020

(1) Overview

(2) Actions toward ensuring effectiveness

(3) Progress

(4) Updating the mid-term profit plan

2016/4~

**Introduce a product business-based organization system for the formulation and implementation of growth strategies**

**Clarify the roles, responsibilities, and authorities of the officers, and simplify the decision-making processes**

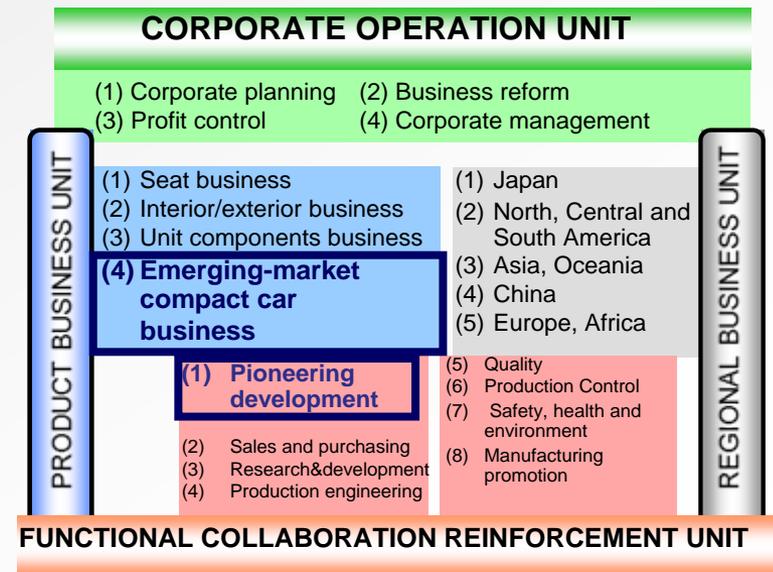
- Review the responsible field of each officer and avoid the appointment of concurrent posts or assistant chiefs, to clarify responsibilities and authorities.

	Jan. 2016	Apr. 2016
Number of jobs of an officer (average)	2.7 jobs	⇒ 1.2 jobs
Organizations with an assistant chief	13 organizations	⇒ 3 organizations

2017/4~

**Adjust organizations to environmental changes**

- Establish the Emerging-market compact car business group**  
Promote cross-functionally the development, purchasing and manufacturing reform of good and reasonably priced seat and interior/exterior products for compact cars for emerging markets
- Establish the Pioneering development field**  
Connect pioneering development based on growth strategies to product business in a speedy and steady manner



2017/4~

## Hoshin(policy)-based management

- Integrated Hoshin management on a global basis at all levels of region, company, department and section

➔ Ensure the effectiveness of the Mid-term Business Implementation Plan

<Relationship between Mid-term Business Implementation Plan and actions (hoshin) for FY 2018>

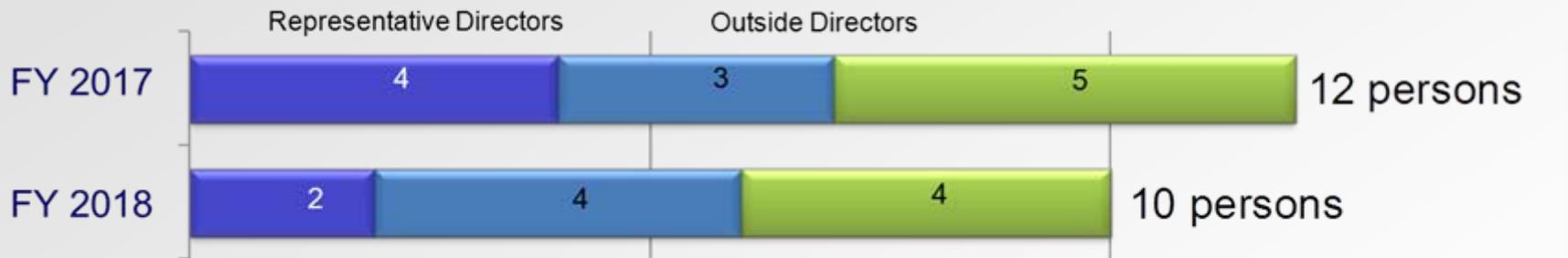


2017/4~

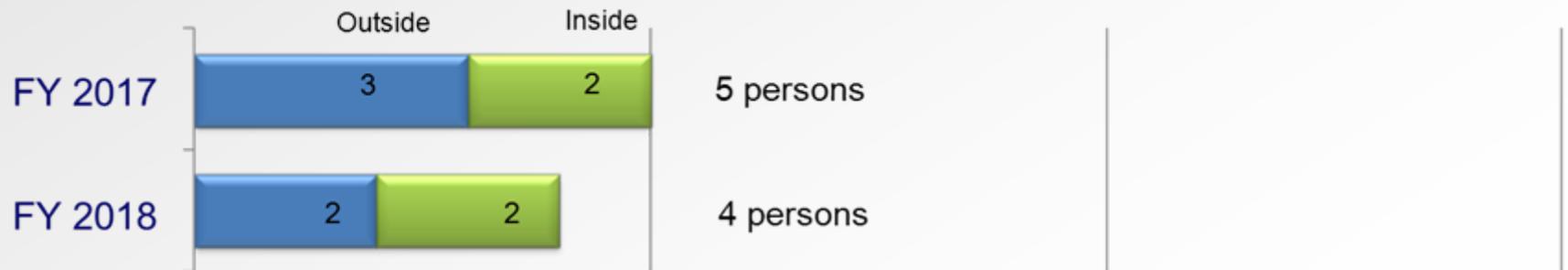
**Corporate governance**

- Review the system with the aim of ensuring the effectiveness and objectivity of the Board of Directors, and further expediting decision-making. (From June 2017)

**Directors**



**Audit & Supervisory Board members**



(Substitute Audit & Supervisory Board member: 1)

# Mid-term Business Implementation Plan 2020

(1) Overview

(2) Actions toward ensuring effectiveness

**(3) Progress**

(4) Updating the mid-term profit plan

## Framework of the Mid-term Business Implementation Plan 2020

### Strengthen competitive advantage

- Develop new technologies and new products toward 2030
- Promote manufacturing innovation toward 2030
- Further enhance basic manufacturing capabilities

### Strengthen the management foundation

- Reinforce the profit structure
- Build a resilient business structure
- Develop a global management foundation

## Develop new technologies and new products toward 2030

### Develop capabilities to offer values

[Comfort] Offer, before others, time and space where people can feel comfortable

[Safety] Offer safe and secure mobile spaces that are ahead of the times

[Environment] Offer mobile spaces that are friendly to the natural environment

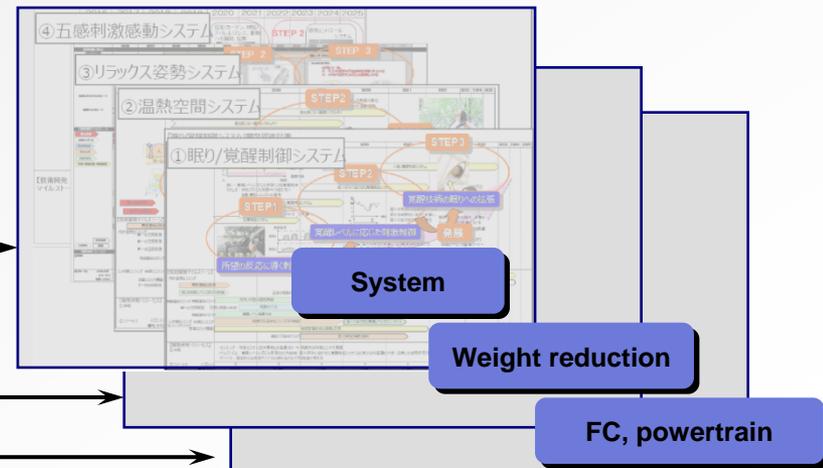
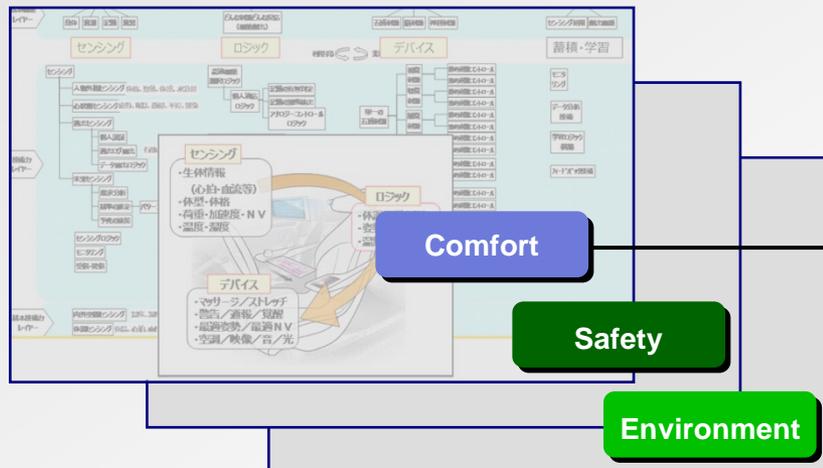
Actions for FY 2017



## Clarify the technologies that we should acquire

Formulate value graphs

Formulate a roadmap for each development theme

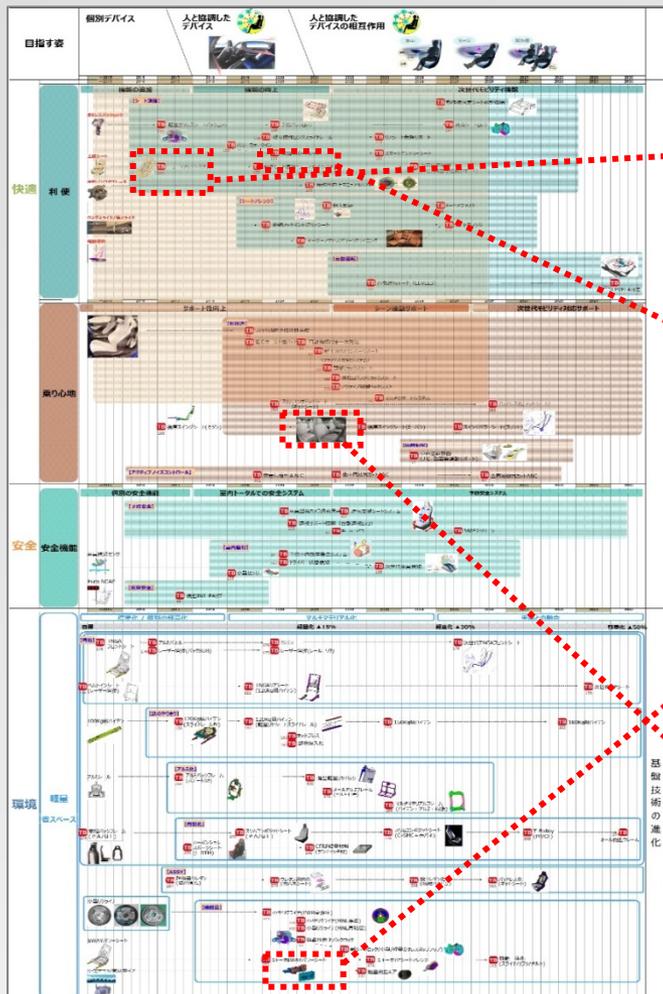


## Develop new technologies and new products toward 2030

[Comfort]

- List on the road map the products to be developed based on the technologies that we should acquire

Launch the products in the market by foreseeing needs



### Multi-function adjustable seat

Multi-functional supporting seat that can accommodate people of various body types and sizes



### Boarding support seat

Enables users to comfortably get in and out of vehicles, increasing the added value of small cars



### Prevailing-type power seat

Enables application to small vehicles by reforming the power seat structure



### New seat arrangement system

Offers user-friendly and comfortable interior spaces



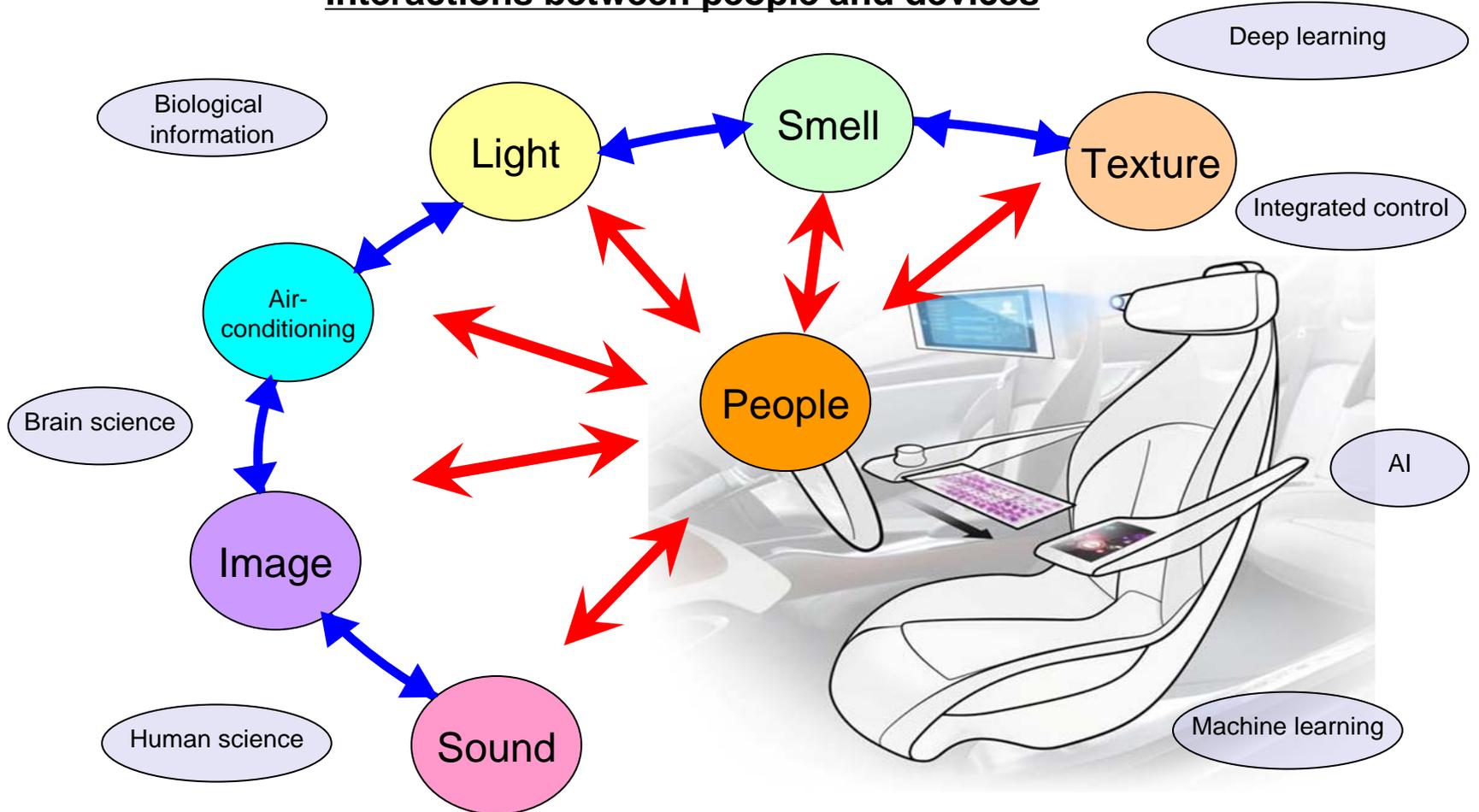
2030

Develop new technologies and new products toward 2030

[Comfort]

Aspired status of mobile spaces: Pursuit of human comfort

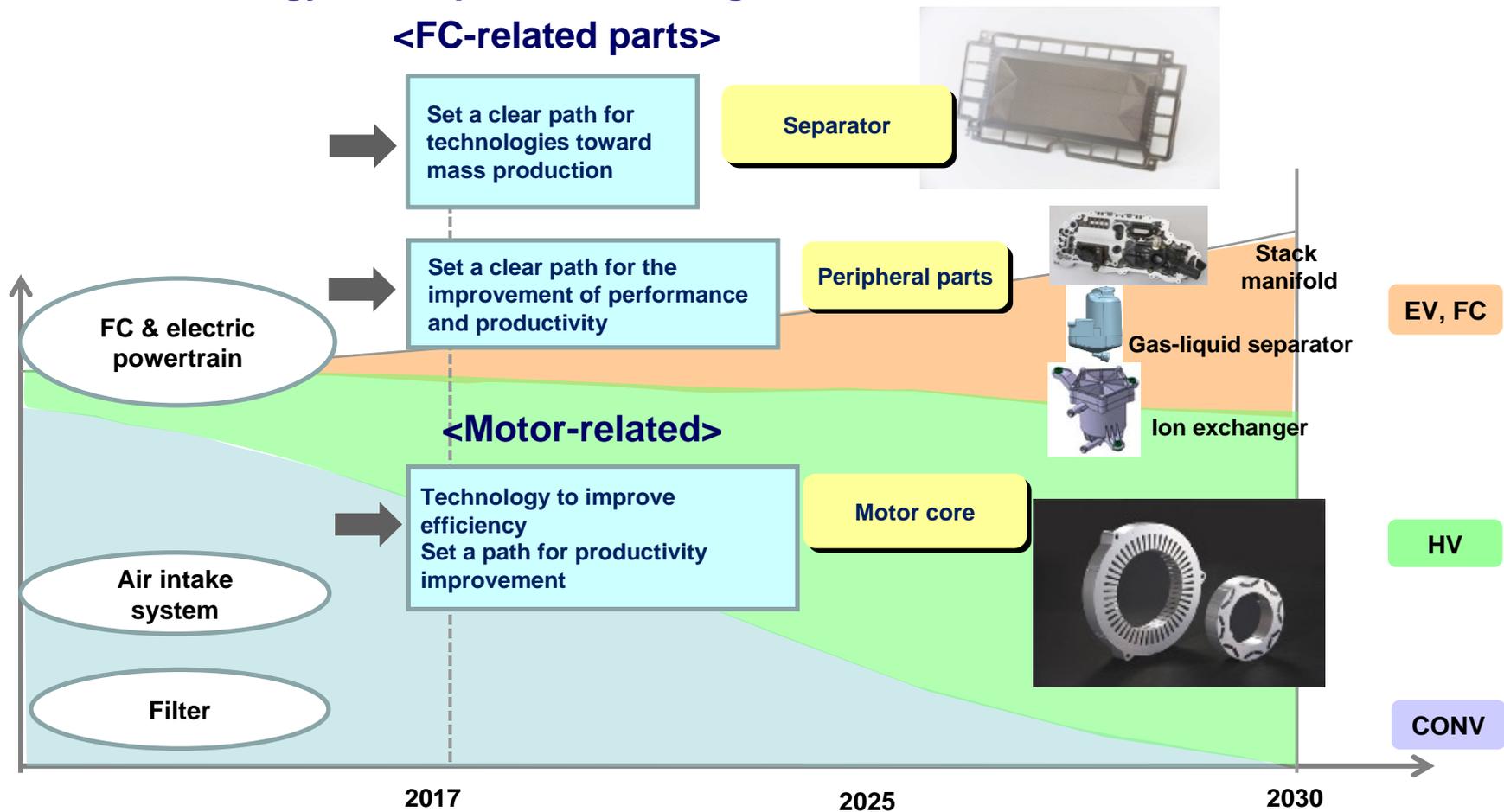
Interactions between people and devices



## Develop new technologies and new products toward 2030

[Environment]

- Set a path for the development and product application of technologies for next-generation vehicles
- Start technology development for next-generation vehicles



## Promote manufacturing innovation toward 2030

### ■ Develop capabilities to offer values

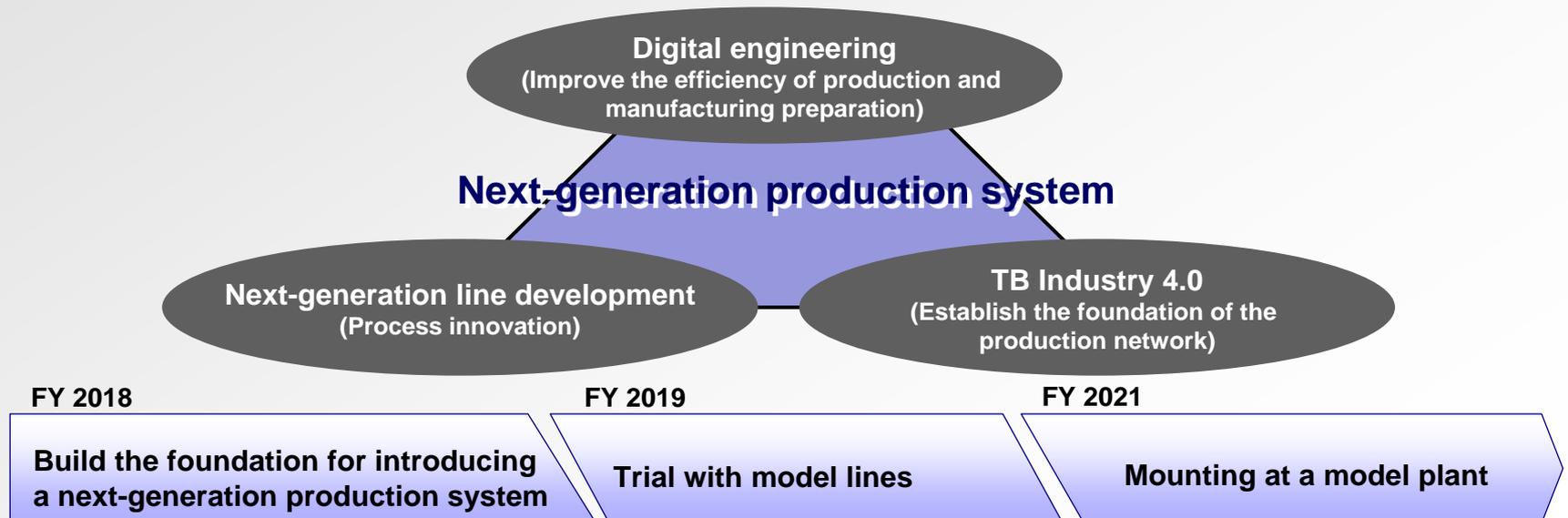
[Affection] Offer customers “what they want” and “the joy of creation”

[Trust] Offer reliable products with sophisticated manufacturing

[Safety] Offer safety by promoting simple manufacturing to enable prediction of risks

Actions for FY 2017

## Formulate an action plan for building a next-generation production system

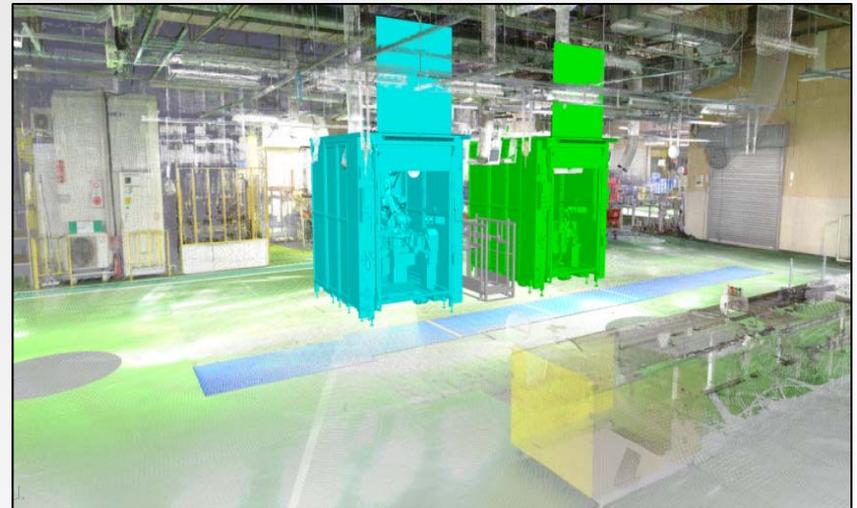


**Promote manufacturing innovation toward 2030**

- Improve the efficiency of production and manufacturing preparation by employing digital engineering
  - Develop a foundation for the evaluation of process arrangement and layout (being promoted)



**Digitally conduct advance evaluation of process arrangement and work behavior**

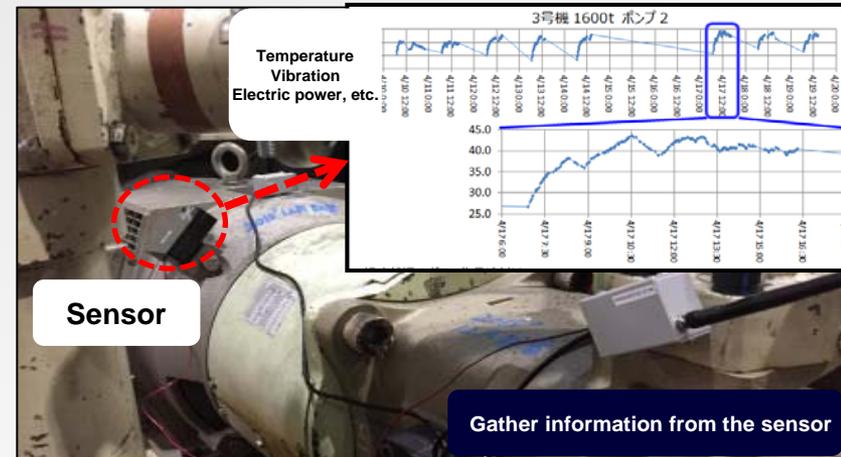


**Virtually check the feasibility of layout using VR**

## Promote manufacturing innovation toward 2030

### ■ Establish the foundation of a production network

- Utilize on-site information to enable information sharing and quick decision making (verification trial started)



Visualize the production line status in real time

Gather equipment information to utilize for diagnostic maintenance

**Further enhance basic manufacturing capabilities**

**Strengthen our R&D capabilities**

Aspired status for 2020

**Globally develop products that are good, reasonably priced and attractive**

Actions

**Advance our technological development capabilities by establishing new development processes**

Progress

**Improving drawing completeness**

## ■ Standardization of design processes

- Preparing design navigation/guide (completed for seat [resin design], interior [ceilings, carpets])

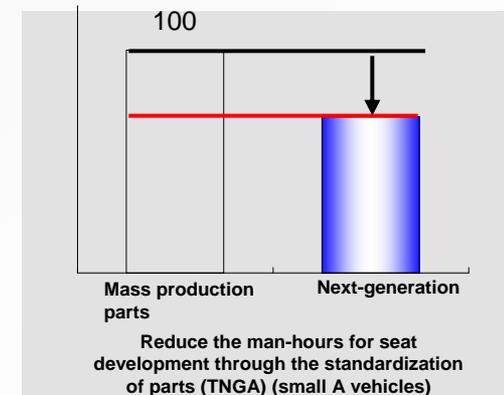
## ■ Standardization of parts (TNGA)

- Completed standardization of target parts (total 38 items)

**Enhancing basic strengths (human resources development, workplace capability improvement)**

## ■ Preparing a skill map, reviewing educational programs

- Examining, revising, or eliminating contents of educational programs for new employees



**Further enhance basic manufacturing capabilities**    **Strengthen our R&D capabilities**



Aspired status for 2020

**Establishment of a global optimal development system**

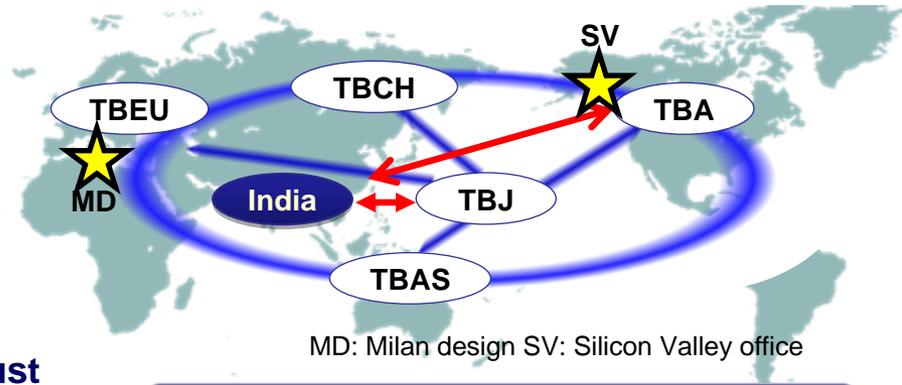
Progress

**Develop uniqueness and complementary relations**

- Utilize Global 4 sites + Milan design + Silicon Valley Office

**Utilize external capabilities on a global basis**

- Shared use of two Indian development trust companies started



Globally complement excess or shortage of resources

Aspired status for 2020

**Establish development technologies toward the realization of QUALITY OF TIME AND SPACE**

Progress

**Formulate the initiative of TB MBD (Model Base Development)**



**Further enhance basic manufacturing capabilities**      **Strengthen our production engineering**

Aspired status for 2020

Achieve the “autonomous” level, a basic plant requirement, at all plants

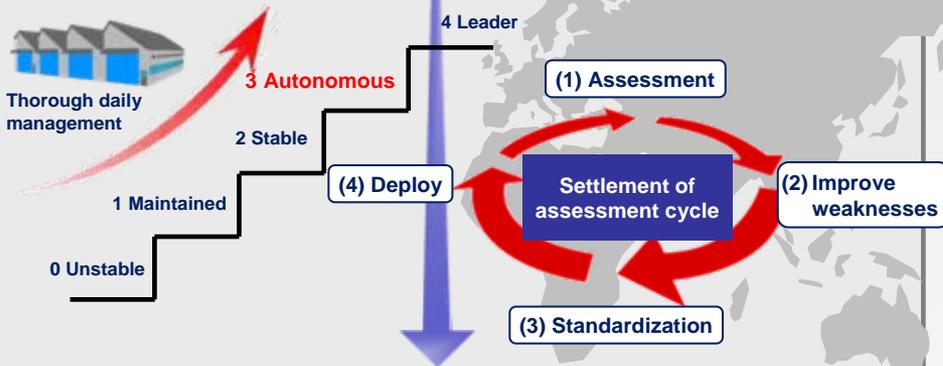
Standardize all processes/Improve quality and productivity by 30%

Actions

Globally implement and establish the basic plant requirements to strengthen workplace competency

Improve quality and productivity by 30% through standardization of processes

Continuously advance to higher ranks



- (1) Assessment
- (2) Formulate a standardization implementation plan
- (3) Reflect in processes
- (4) Check the standardization level of processes



FY 2017 status of achievement

**Plant basic requirements assessment**

- Rate of assessment implemented: 90% completed

**Process assessment**

- Regularization rate of process standards: 95% completed (203 completed/Total 214)
- Rate of assessment implemented: 30% completed

Establishment of a global activity organization system completed

Further enhance basic manufacturing capabilities

Strengthen our production engineering

Accelerate production engineering development, to solidify our footing and secure a competitive advantage for the future

## Steps toward 2020

Step1

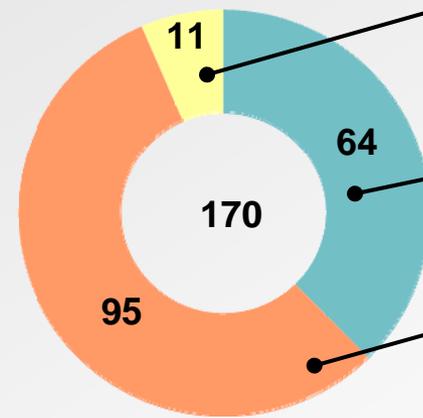
Set a clear path toward mass production  
(80% compared to the plan)



Step2

Aim to start the mass production of all production engineering items by 2020

## Details of production engineering development items



Sophistication of existing technologies

- Apply existing technologies and become familiarized with them

Product innovation

- Increase product appeal, improve quality, etc.

Process innovation

- Reduce production costs, streamline processes, etc.

## Progress

■ Introduce automatic sewing of seat covers



Eliminate shortage of skilled workers

Case

Start trial operation of automatic surface skin setting and 2D sewing



## Reinforce the profit structure

Target for 2020

**Build a foundation to become a world leading seat system supplier by maximizing synergy effects**

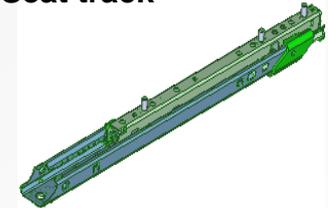
Actions

**Complete integration of the mechanical seat frame component businesses to “Make Good Seats”**

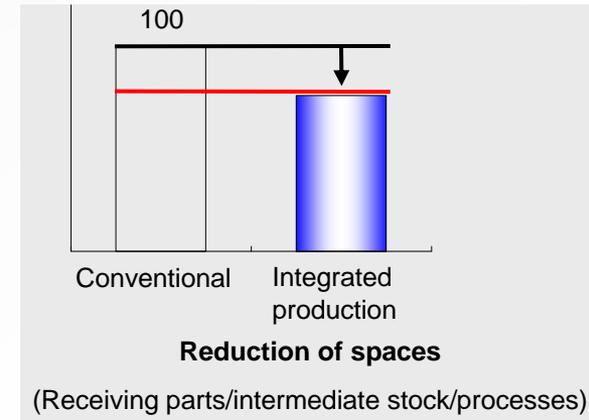
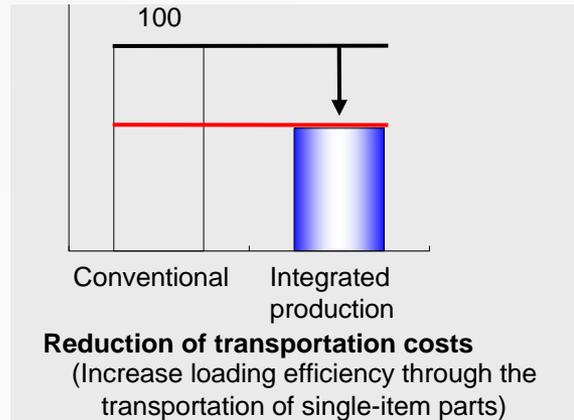
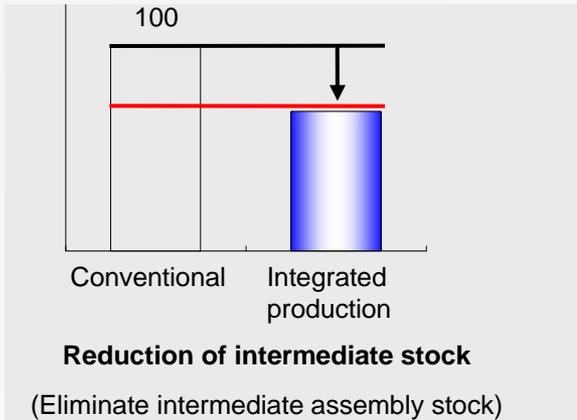
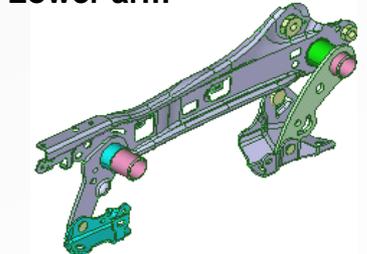
Progress

- **Integrated production from the assembly of seat tracks and lower arms to seat assembly (Japan)**

Seat track



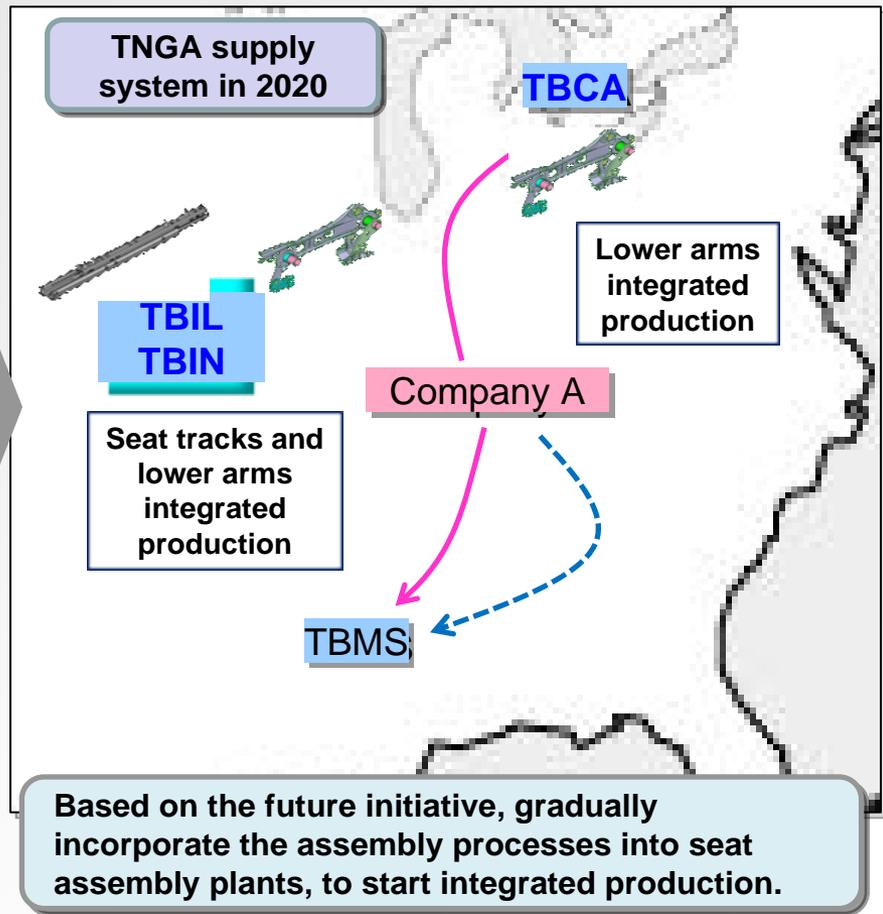
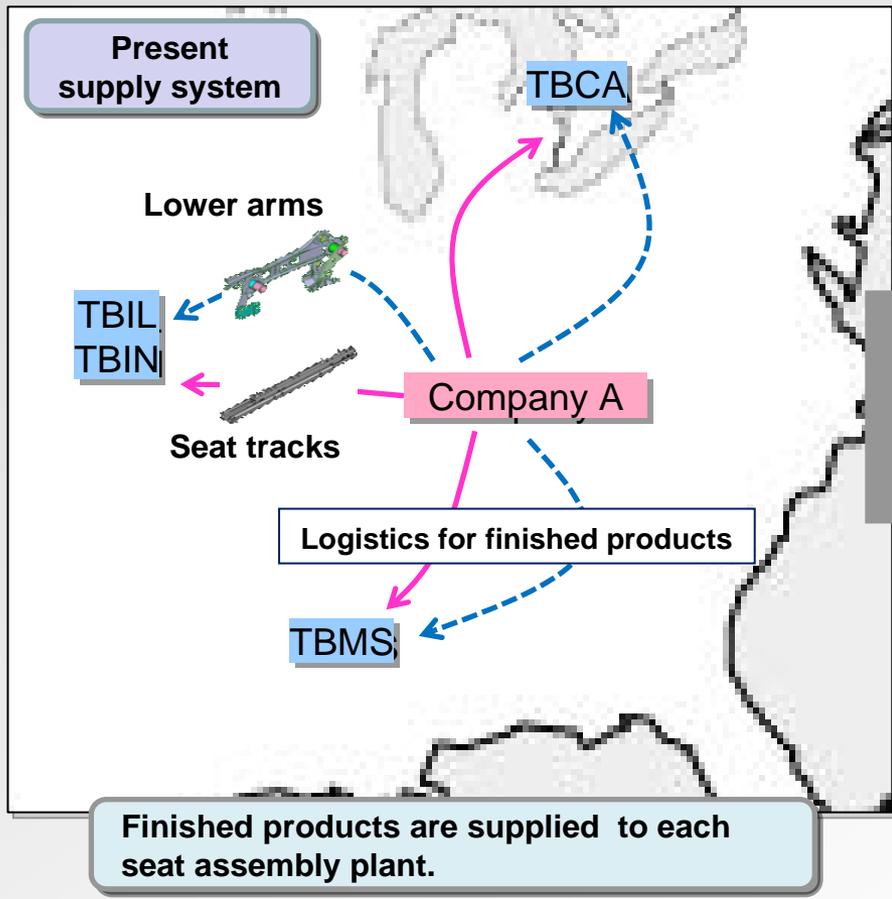
Lower arm



## Reinforce the profit structure

Progress **Reorganization of the global optimal development system (North America)**

- Start reorganization based on the integrated production initiative for the assembly of seat tracks and lower arms

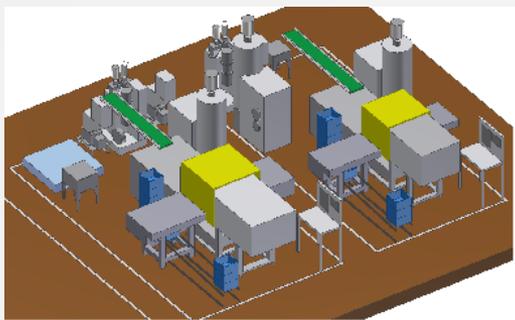


## Reinforce the profit structure

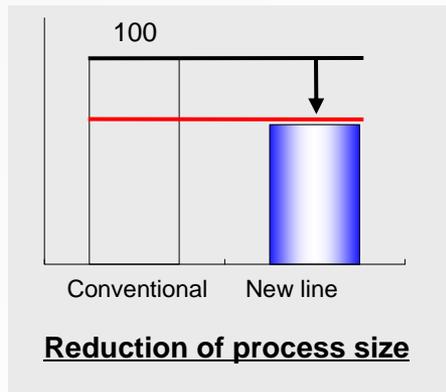
Progress **Improve cost competitiveness by starting the internal production of seat functional devices**

### ■ Approach for motor with gears

- Combine TB's precision molding technology and existing molding know-how

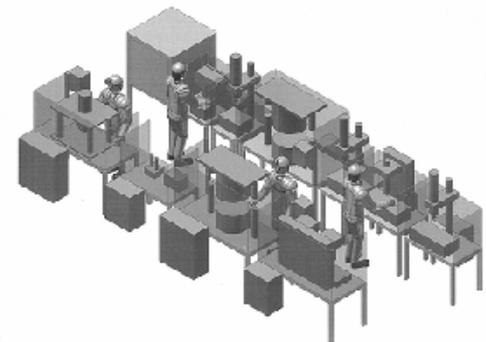


- Precision mold processing
- High cycle
- Precision molding technology



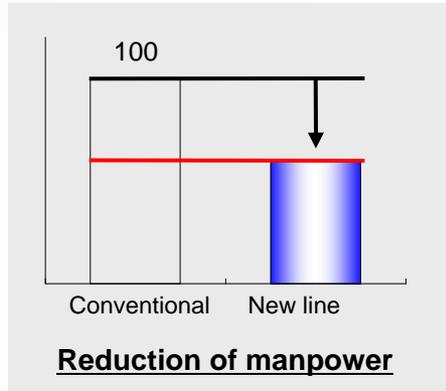
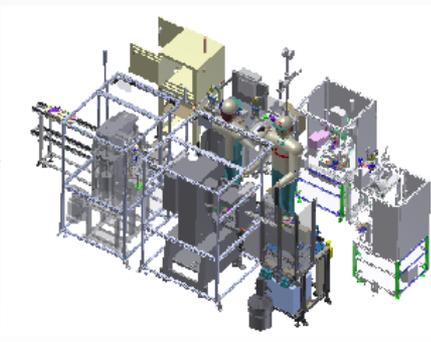
- Realize a competitive assembly line with minimum investment

#### Conventional assembly process



- Compact
- Space-reducing
- Autonomous operation

#### New assembly process



Develop a global management foundation

Develop a management information infrastructure

Aspired status for 2020

Enhance business management capability by increasing operation efficiency and expediting decision making

Actions

Promptly share, analyze and respond to global financial and non-financial management information

Progress

Business management system (under development)

Global management infrastructure development plan

Financial information (KPI)

Non-financial information (KPI)

Share

Share

Collect

Collect

Executive

Management

Workplace

FY 2018

- Financial and non-financial KPI trial operation start
- Establish global standard specifications of ERP (SAP)
- SAP operation start at the first base Shin San Shing (Taiwan)

Aim to achieve 90% coverage of consolidated sales by 2020 (approx. 50 companies)

## Develop a global management foundation

Create a lively work environment where diverse people can fully demonstrate their abilities

### Develop and implement a new global HRM\* architecture

\* HRM: Human Resources Management

Systematic human resource development through global common “grading, evaluation, and training”

### Expand human resources platforms

	Certified qualifications of global leaders		2018/4 ~
	Before	2017/4	
Target	G2 and above (Equivalent to V.P, General Manager)	G3 and above (Equivalent to Senior Manager)	
Human resources belonging to overseas companies	43 persons	110 persons	

### Basic design of human resources system

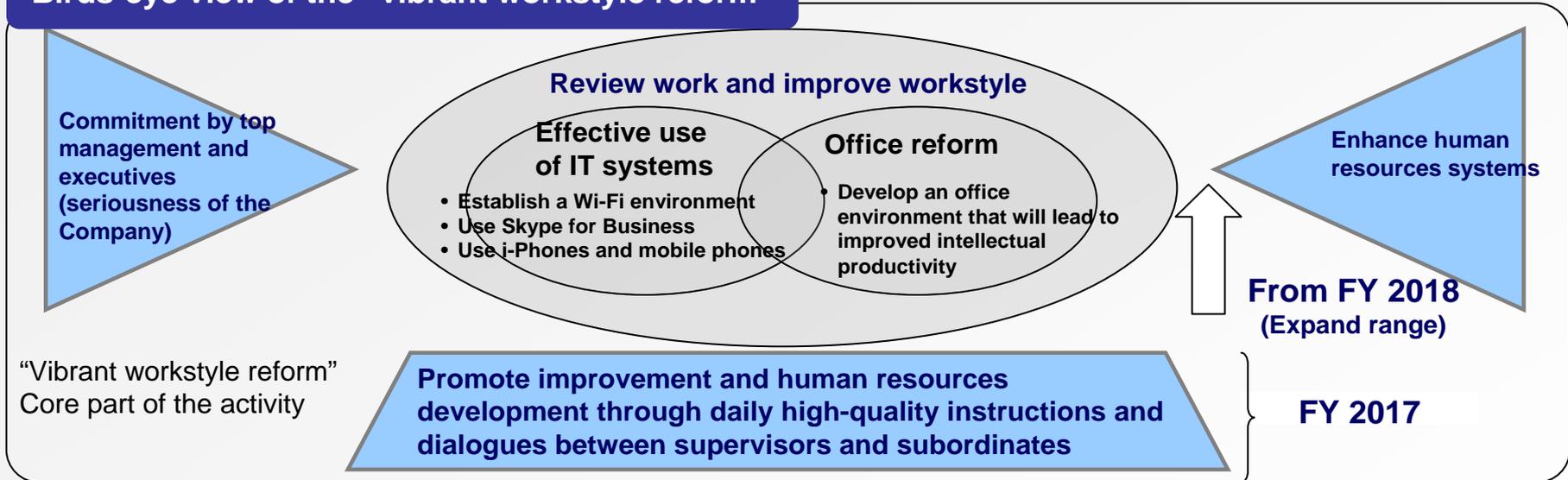
➔ Scheduled to take effect in April 2018

- Establish a hybrid-type human resources system by combining the axis of global standard “jobs” and the axis of human resources development-oriented “functions”
- Respect diverse abilities (management, professional, etc.) and working styles (global, specific area, etc.), and develop career paths that allow employees to choose how they contribute to the company

## Develop a global management foundation

Create a lively work environment where diverse people can fully demonstrate their abilities

### Birds-eye view of the “vibrant workstyle reform”



By streamlining and standardizing decision-making processes, make proper and efficient decisions in a timely manner, thereby minimizing reworking

		P		D	C·A	
Company-wide level		[Strategy] Set the overall direction	[Planning] Specific planning based on strategy	[Do] Thorough implementation of the plan	[Management] Monitoring	
Workplace level	Supervisor	Clarify and provide the subordinate with an image of work output (for what, by when, how far), taking into consideration the abilities and development of the subordinate	—	—	Lead and help complete the work (give advice, observe, sometimes reprimand)	Recognition (praise, reward)
	Subordinate	—	Prepare work plan Agreement with supervisor	Promote the plan while reporting, contacting, and consulting with the supervisor as necessary	—	Sense of achievement, fulfillment

# Mid-term Business Implementation Plan 2020

(1) Overview

(2) Actions toward ensuring effectiveness

(3) Progress

(4) Updating the mid-term profit plan

# Mid-term Business Implementation Plan (4) Updating the mid-term profit plan

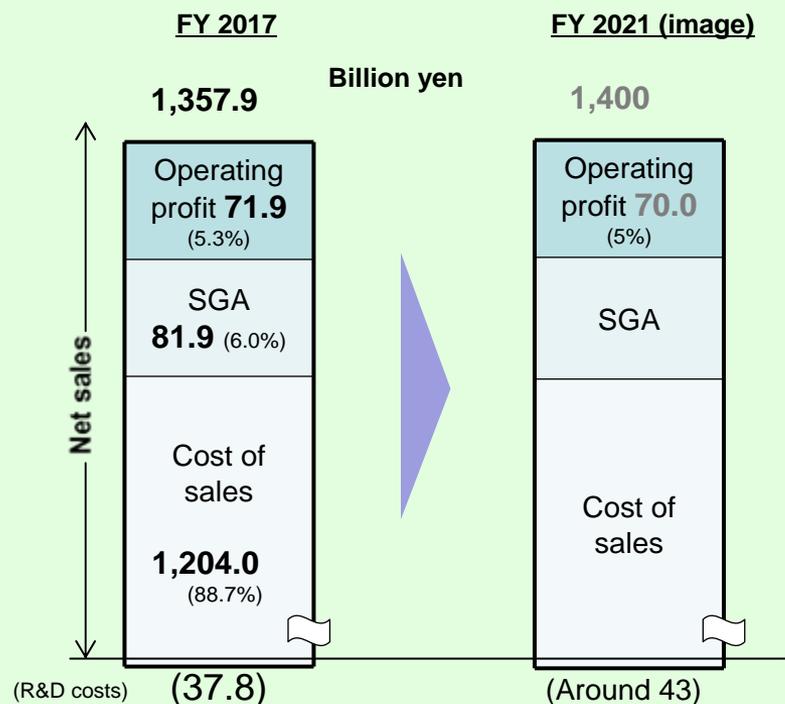
## Financial target for 2020

	FY 2017 (results)
Operating profit ratio	5.3%
Equity ratio	33.3%
ROE	21.2%
Dividend ratio	20.5%

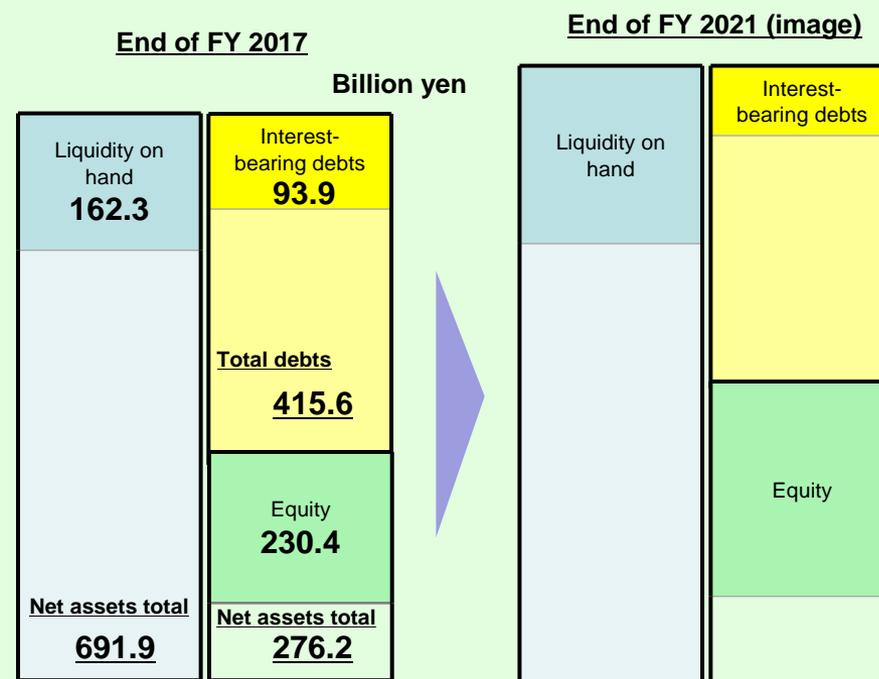


Target for 2021 (desired state)	[Prospect for FY 2018]
<b>Steadily maintain 5% or higher</b>	4.6%
<b>Around 40%</b>	-
<b>Around 10%</b>	15.5%
<b>Around 30%</b>	24.4%

## 1. Profit & Loss Statement



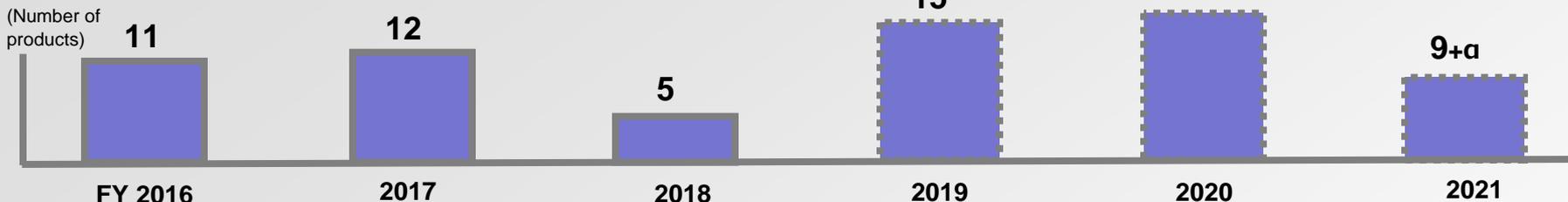
## 2. Balance sheet



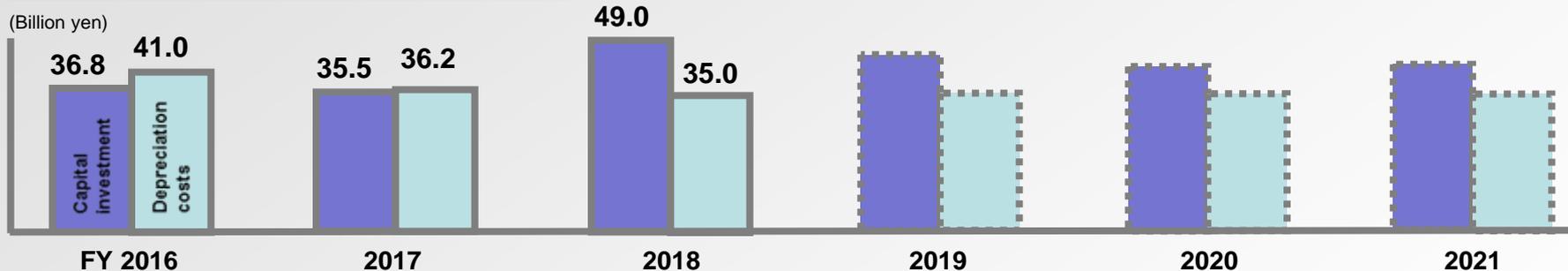
# Mid-term Business Implementation Plan (4) Updating the mid-term profit plan

## New products and prior investments

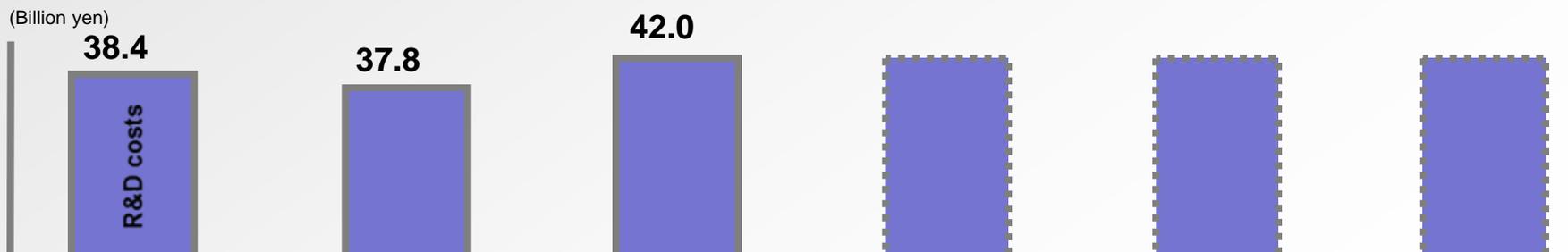
### 1. Number of new products launched



### 2. Capital investment, depreciation costs



### 3. R&D costs



# Mid-term Business Implementation Plan (4) Updating the mid-term profit plan

- The basic profit-earning capacity improved from around 30 billion yen to 60 billion yen.
- FY 2018 is a year before the launch of the new products. Promote prior investments and development for growth strategies.
- Starting from FY 2019, the profit level will improve due to the new product launches and business structure reform.

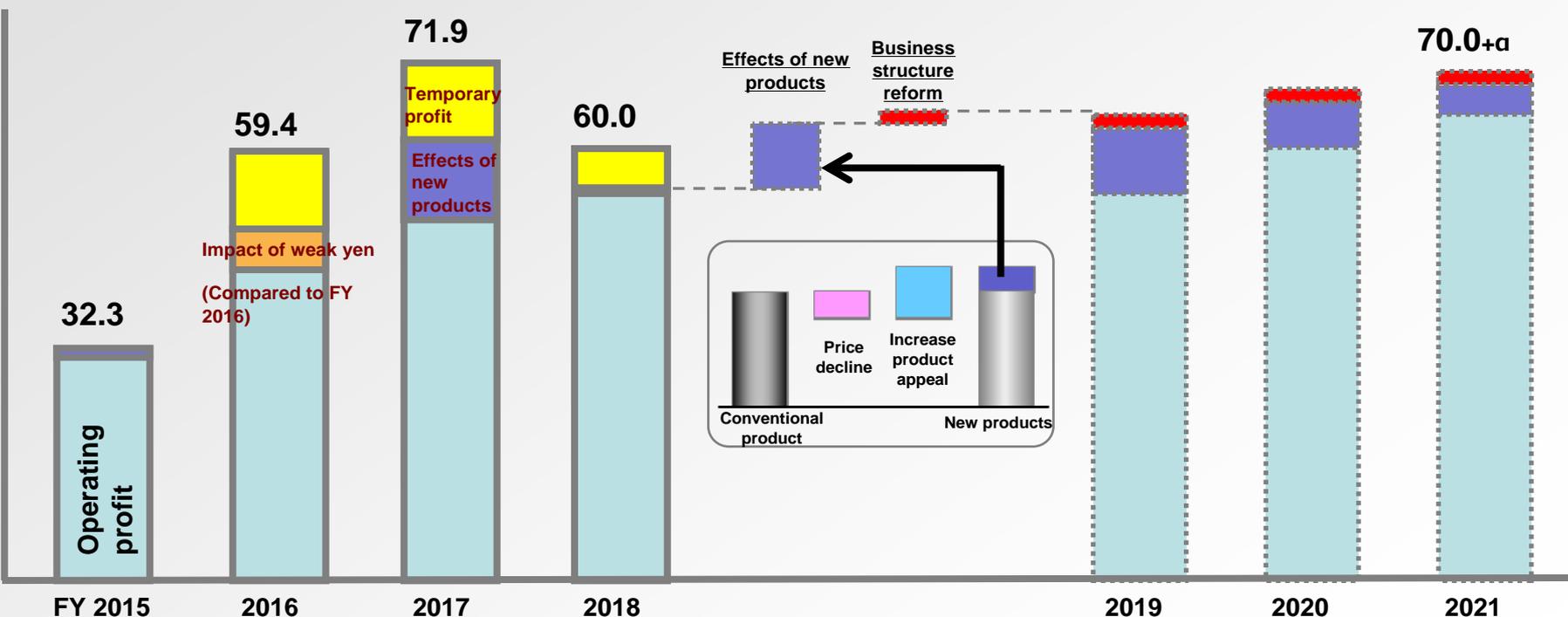
## Profit image

[Number of new products launched]

17                      11                      12                      5                      15                      16                      9+a

[Number of new seat products]

780,000 units    1,200,000                      980,000                      120,000                      1,280,000                      1,200,000                      690,000



**Offer enhanced values**  
Reinforce business structure

**Offer multi-dimensional value**  
Expand business fields



# Toward sustainable growth



QUALITY OF TIME AND SPACE



<Disclaimer>

The forecasts relating to future business performance provided in this report are estimates made by the Company based on the information available at the time of reporting, and therefore involve risks and uncertainties.

Accordingly, actual results may differ from the forecasts due to various factors.

---