

TOYOTA BOSHOKU REPORT 2017

2016.4.1—2017.3.31



We aim to ensure sustainable growth with an eye on 2030.

The Toyota Boshoku group defined the desired status we aim to achieve by the year 2030 as our desired status for the future and for realising this status. Based on the Mid-term Business Plan for Implementation 2020 that incorporates as a roadmap the specific activities needed for developing the technologies and building the ability required for realising this desired status, all company members are aiming for the same direction and vigorously moving forward on a global scale.

VISION

The Company We Aim to Become

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

Our desired status in Business

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

Our desired status in Society

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

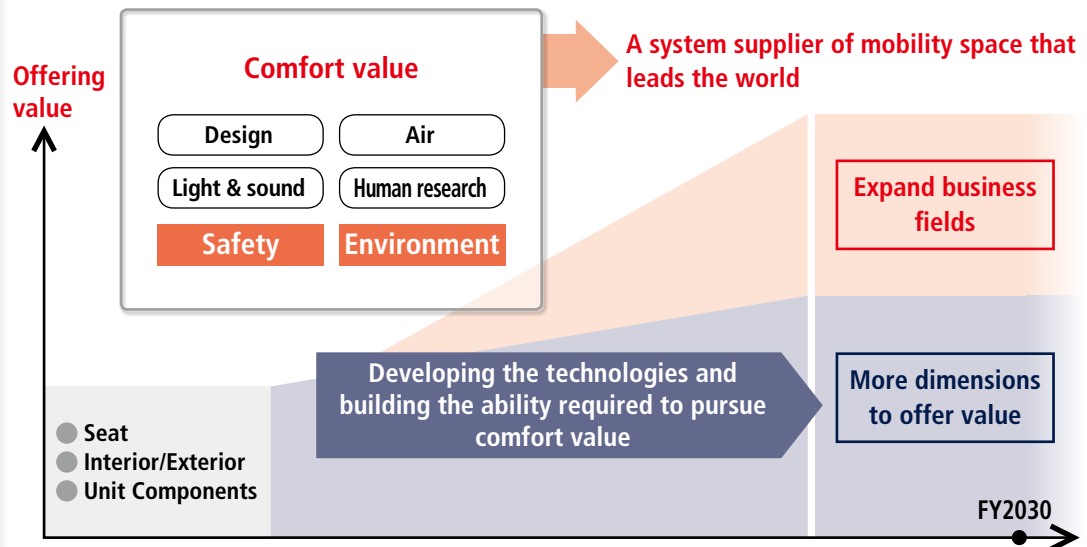


Toward Realising Our Desired Status in Business

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

QUALITY OF TIME AND SPACE

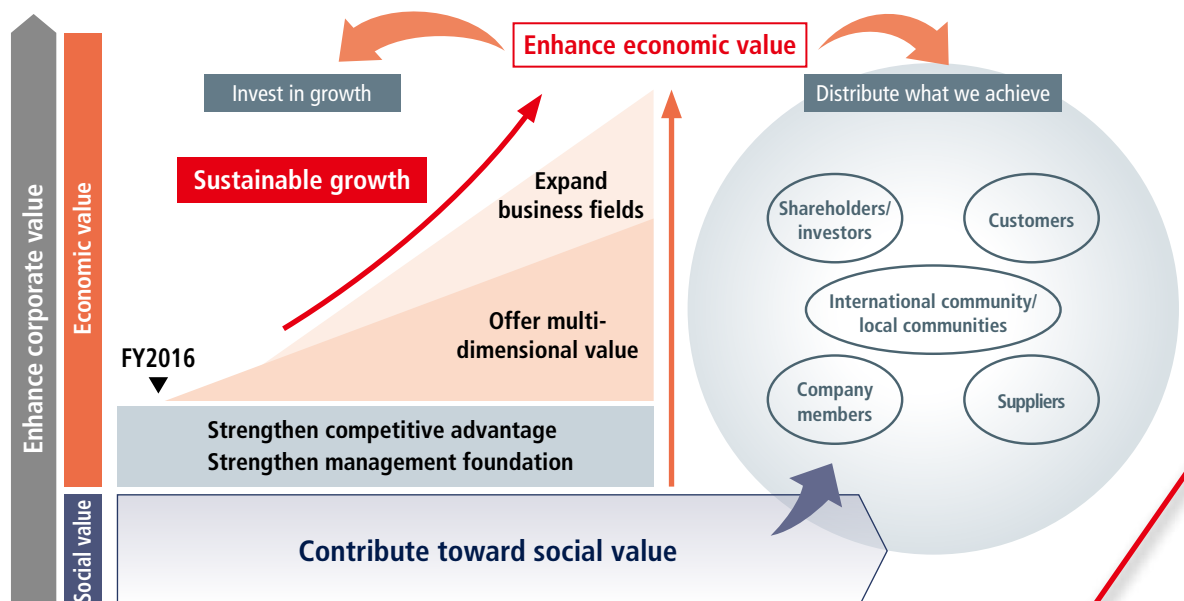
Offer "QUALITY OF TIME AND SPACE" in all mobility



Toward Realising Our Desired Status in Society

A trusted company that grows together with all stakeholders

Distribute to our stakeholders what we have achieved by enhancing corporate value



OF TIME AND SPACE

Overview of Mid-term Business Plan for Implementation (from fiscal 2016 to fiscal 2020)

1 Corporate Growth While Fulfilling Our Responsibility in Harmony with Society

The Toyota Boshoku group meets the expectations of our stakeholders through contributing to social values and properly distributing economic value as a good corporate citizen.

2 Sustainable Growth

Pursue sustainable growth focused on efforts for strengthening competitive advantage and management foundation

1) Strengthen Competitive Advantage

- (1) **Develop new technologies and new products toward 2030**
[Comfort] Offer, time and space where people can feel comfortable ahead of our competitors
[Safety] Offer safe and secure mobility space that is ahead of the times
[Environment] Offer mobility space that is environmentally friendly

- (2) **Manufacturing innovation toward 2030**
[Affection] Offer what customers want and the joy to create
[Trust] Sophisticated manufacturing to ensure that products be delivered
[Peace of mind] Simple manufacturing that can foresee risks and offer safety

(3) Further enhance our fundamental capabilities in manufacturing

Strengthen our R&D capabilities

- Advance our technological development capabilities by establishing a new development process
- Effectively utilise development resources through mutual collaboration among the global R&D offices
- Strengthen our original capabilities to design vehicle interior space

Strengthen our production engineering/production capabilities

- Globally implement and establish the basic plant requirements to strengthen on-site competency
- Improve quality and productivity by standardising processes and procedures for production/manufacturing preparation
- Improve quality, productivity and cost through further advancements in production engineering
- Improve quality, productivity and cost by reorganising global production system

2) Strengthen Management Foundation

(1) Strengthen our profit structure

Strengthen our business model

- Advancement of our System Supplier System
- Complete integration of framework business to "Make ever-better seat"

Establish business foundation for Global New Customer Business

- Rebuild business strategy
- Improve organisation of business administration and promotion

Rebuild business organisation in Japan

- Structural reform in line with future plan
- Reorganising plants and companies in line with product business strategies of production strategies

(2) Set up strong and resilient business structure

- Revise to a resilient BCP in order to fulfill supply responsibilities despite extreme contingencies
- Build a business structure that is flexible to and can minimise impacts of extreme demand fluctuations
- Strengthen ability to cope with sudden changes in currencies and financial environment

(3) Create a global management foundation

Create foundation for management information

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

- Develop and execute human resources plan to support the Mid-term Business Plan for Implementation
- Execute human resources policies to fully utilise diverse resources
- Vitalise whole company, create sense of unity (QUALITY OF TIME AND SPACE for people and organisation)

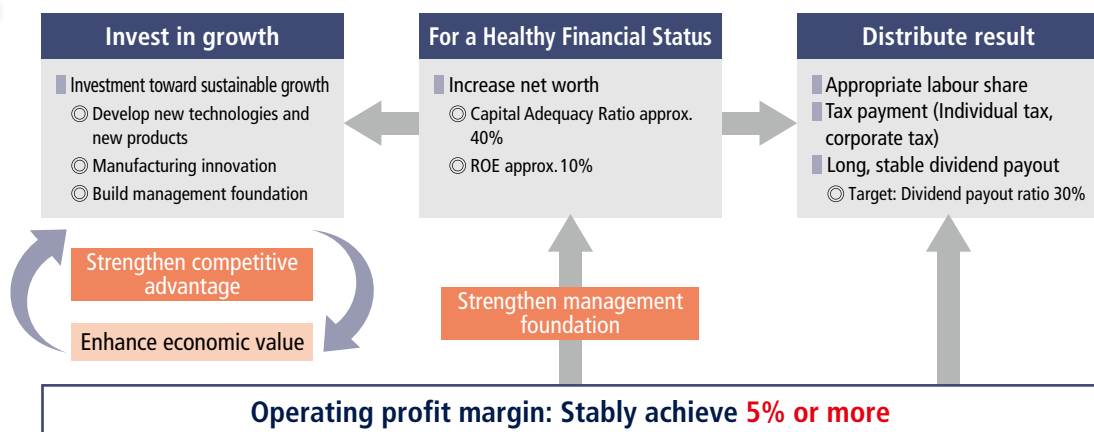
Continue to build a "One hub per region" structure

- Strengthen collaboration and efficiency of Head Office, Regions and Companies for each product business line

3 Enhance Our Corporate Value on a Mid-to-Long-Term Basis

We will distribute to our stakeholders what we achieve by enhancing corporate value, and will meet long-term expectations of our stakeholders by reinvesting the value toward sustainable growth

FY2020: Financial Targets



Philosophy

Based on the Principles of Toyoda, which encapsulate the ideas of founder Sakichi Toyoda, the Toyota Boshoku group formulated our corporate philosophy for maintaining the trust of all stakeholders and our vision, which articulates the type of company we aspire to become. With the corporate philosophy and vision serving as a framework, we have established clear policies, targets and plans for our business, social and environmental activities. We have also formulated the TB Way and the Toyota Boshoku group code of conduct to ensure that all company members share common values and behaviour.

Principles of Toyoda

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



Sakichi Toyoda



- Always be faithful to your duties, thereby contributing to society and to the overall good.
- Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement.
- Always be practical and robust, and avoid extravagant and frivolous practice.
- Always strive to build a homelike atmosphere at work, one that is warm and friendly.
- Be reverent, and show gratitude for things great and small in thought and deed.

Corporate Philosophy

- | | |
|----------------------|---|
| 1. Society | The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen: <ul style="list-style-type: none">1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment;3) Create a better society as a member of our local communities. |
| 2. Customers | The Company will develop innovative technologies and products to deliver quality that satisfies our customers. |
| 3. Shareholders | The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders. |
| 4. Employees | The Company will build and maintain positive labour-management relations, respect the individuality of its employees and create safe and comfortable workplaces. |
| 5. Business partners | The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity. |

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. | 5. We seek to do our best, act professionally and take responsibility for our actions |
| 2. We carry out <i>kaizen</i> continuously, aiming to achieve higher goals. | 6. We respect the values of other cultures and accept differences, with an open mind and a global perspective. |
| 3. We practice <i>genchi-genbutsu</i> by going to the source to analyse problems and find their root causes. | 7. As a good corporate citizen, we do what is right and contribute to society. |
| 4. Once a decision is made, we move quickly to carry out the plan, with passion and a sense of mission. | 8. We respect the individual and use teamwork to produce the best result. |

VISION

The Company We Aim to Become

Our desired status in Business

(1) A company that persists in proposing excellent mobility for customers throughout the world.

- 1) Readily provide products tailored to the various lifestyles of respective regions through innovative technologies that are unique to the Toyota Boshoku group and consistent in its manufacturing quality.
- 2) Have an established presence in terms of unique value by creating innovative, next-generation products that exceed customers' expectations.
- 3) Strive to provide customers with environmentally friendly and enriched lifestyles by boldly pursuing inroads into new businesses.

Our desired status in Society

(2) A trusted company that grows together with all stakeholders.

- 1) Resourceful and multi-talented human resources drawn by the appeal of the Toyota Boshoku group, with members working enthusiastically in all regions worldwide.
- 2) Recognised as a company that is trusted and indispensable to society, customers, business partners and shareholders.
- 3) Capable of carrying out unequalled *monozukuri* in every region of the world while carrying out *kaizen* continuously.

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 will deliver a variety of products that realise enriched and higher-quality time and space to people in mobility interior spaces in order to generate excellent quality and new value.

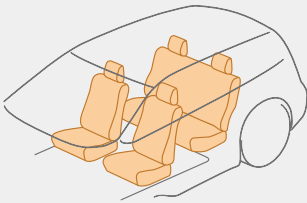
Seat Business

Interview with the Group Chief of the Seat Business Group

▶ P19



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.



Automobile Seats



Sports seats (For automobile racing)

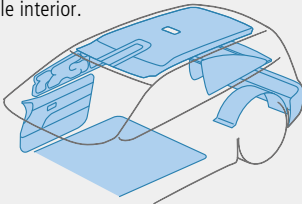
Interior & Exterior Business

Interview with the Group Chief of the Interior & Exterior Business Group

▶ P21



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.



Interior Components



Interior systems

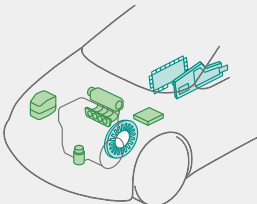
Unit Components Business

Interview with the Group Chief of the Unit Components Business Group

▶ P23



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



- Seat
- Interior & Exterior
- Unit Components



Seat frames

Others



Railway seats
(Photo provided by East Japan Railway Company)



Aircraft seats



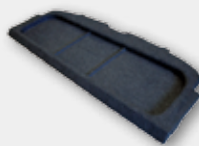
Headliners



Illuminations



Door trims



Package trays

Textile Components



Seat fabrics



Curtain-shield airbags



Seatbelt webbings

Exterior Components



Bumpers



Fender liners

Air Induction Systems Products



Air induction systems



Air cleaners



Cylinder head covers



Intake manifolds (For horizontally opposed engine)



Oil mist separators

Fuel Cell-related Products



Stack manifolds



Separators

Electric Powertrain-related Products



Motor core constituent parts
(For hybrid system)

We are undertaking challenges at development and manufacturing bases in the various countries and regions of the world with a view to 2030.

More than 50,000 motivated Toyota Boshoku group members enhance competitiveness, strengthen manufacturing capabilities and contribute to our customers and local communities in the different countries and regions of the world based on our Mid-Term Business Plan for Implementation.

Business Overview

Location

1-1 Toyoda-cho, Kariya-shi,
Aichi 448-8651, Japan

Capital

8.4 billion yen

Founded

1918

Established

1950

(Ended March 31, 2017)

Business development	27 countries and regions
Number of sites	106 companies
Net sales	1,357.9 billion yen

Global Network

Regional Management & Collaboration Hubs (RM&CH)

The Americas

TOYOTA BOSHOKU AMERICA

Interviews with the Group Chiefs of the Regional Business Units

Europe & Africa

TOYOTA BOSHOKU EUROPE

Asia & Oceania

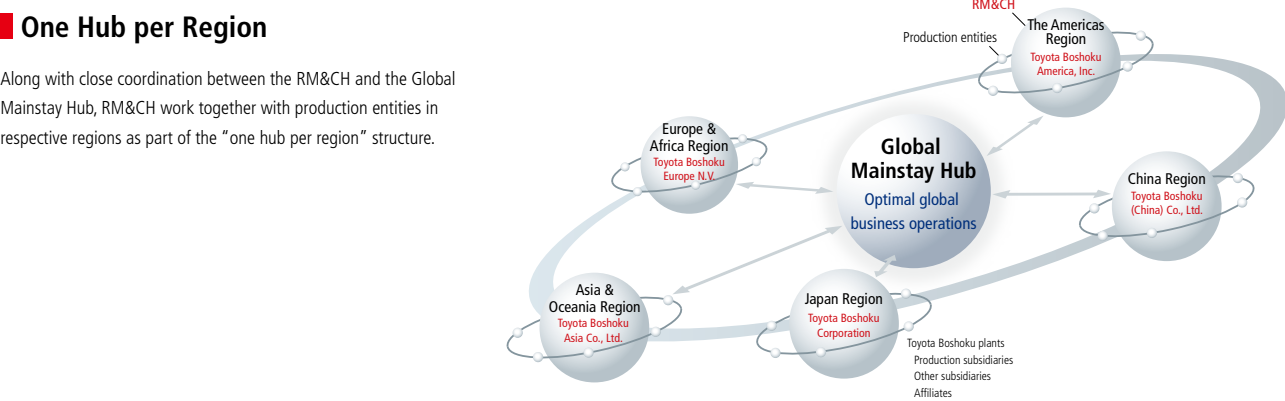
TOYOTA BOSHOKU ASIA

China

TOYOTA BOSHOKU (CHINA)

Japan

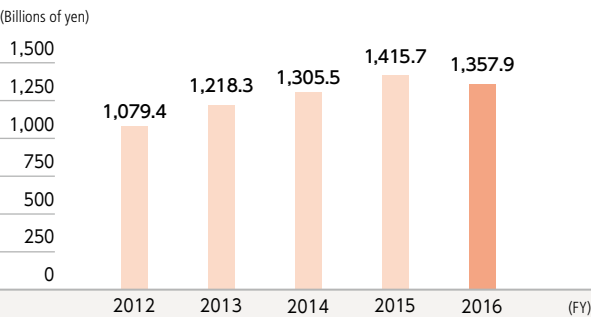
TOYOTA BOSHOKU



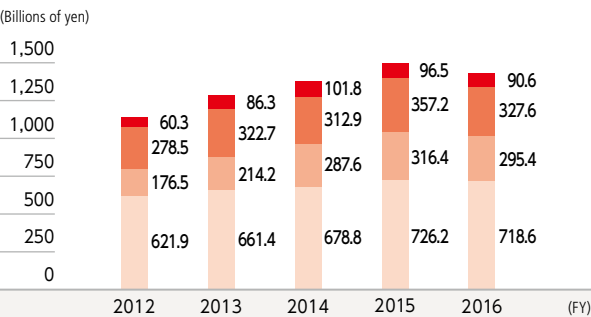
Fiscal 2016 Highlights

Financial Highlights

Net sales

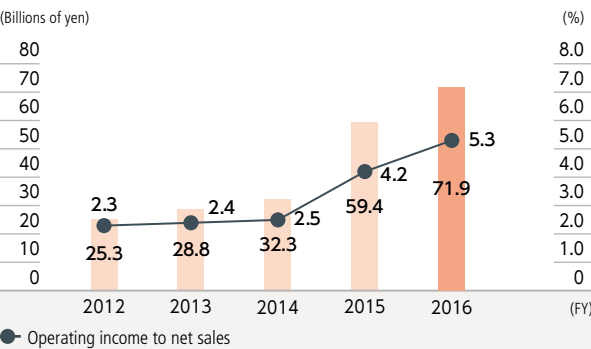


Net sales by geographic region

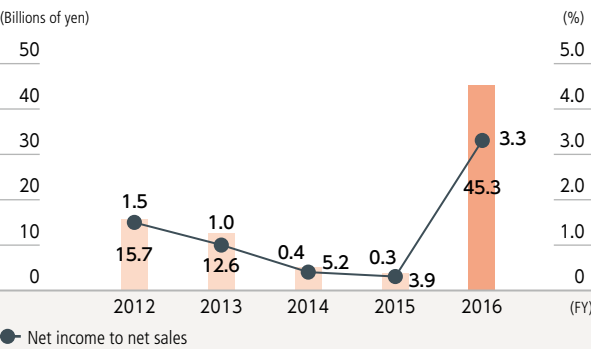


*Asia & Oceania includes China.
**Adjusted amounts for transactions among regions are not included.

Operating income / Operating income to net sales



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



Environmental Highlights

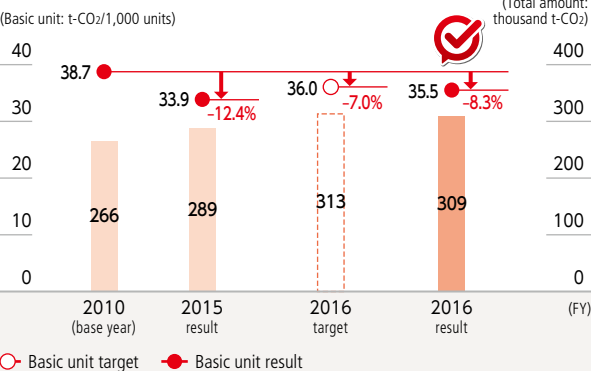
The 2020 Environmental Action Plan was initiated in fiscal 2016, and in line with this, Toyota Boshoku revised its rationale on basic units. We switched to using production volume instead of sales, which are susceptible to external forces, for the denominator of intensity performance metrics (basic unit).

We also changed our target basic unit for CO₂ from the

conventional 1% per year to the more stringent 2% per year with such higher targets aimed at achieving the Toyota Boshoku 2050 Environmental Vision.

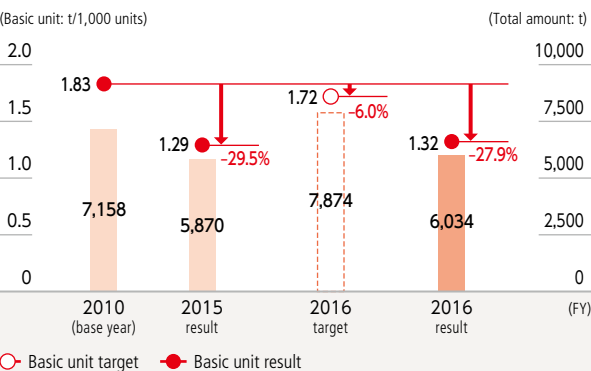
CO ₂	Unit	FY2011-2015	FY2016-2020
		t-CO ₂ /net sales Target -1%/yr	t-CO ₂ /1,000 units -2%/yr
Amount of waste	Unit	t/net sales	t/1,000 units
		Target -1%/yr	-1%/yr

CO₂ emissions and basic unit [Toyota Boshoku group]



CO₂ emissions data that has been assured by an independent assurance provider is marked with this assurance symbol (Only for fiscal year ended March 31, 2017; see page 70 for details).

Amount of waste and basic unit [Japan region]





A Message from the Chairman and the President

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

The environment surrounding the Toyota Boshoku group will evolve dramatically in the future as technological innovation such as the Internet of Things (IoT) and artificial intelligence (AI) accelerates and automated driving technologies also advance further. Meanwhile, global competition is expected to become increasingly fierce.

Under these conditions, we will look toward the future and make group-wide efforts to address various issues to

realise sustainable growth as a company that persists in proposing excellent mobility for customers throughout the world, which is the desired status of our Vision.

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

August 2017

Chairman

Shuhei Toyoda

President

Yoshimasa Ishii

11 Top Dialogue

Guided by its Mid-term Business Plan for Implementation 2020, the Toyota Boshoku group has begun striding ahead on a path of strong growth toward the future. Here, Toyota Boshoku welcomes Ms. Chieko Matsuda, who possesses extensive knowledge in management theory and practice, for a dialogue on initiatives for corporate growth while fulfilling our responsibility in harmony with society and for enhancing our corporate value.



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Toyota Boshoku Group's Desired Status for the Future

—Three Executive Vice Presidents Discuss Three Key Themes—

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Aiming to Become a System Supplier of Mobility Space That Leads the World
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Leveraging the Unique Characteristics of Each Region and the Advantages of Our Collective Strengths to Raise Manufacturing Capabilities and Lead World Markets

31 Special Feature

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55 Environmental Activities

Aiming for a Sustainable Global Environment for Our Children



57 Special Feature

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33 Social Activities

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



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Editorial Policy

In this year, we are focusing on introducing the efforts for realising our desired status based on the "Mid-term Business Plan for Implementation 2020" that the Toyota Boshoku group newly formulated.

We held a dialogue concerning the style of management for the future, corporate growth while cultivating corporate citizenship and enhancement of corporate value. Regarding the special features, we aimed to provide a clear understanding of the Toyota Boshoku group's initiatives by introducing from various perspectives the challenges we face in realising the Environmental Vision.

This report also includes third-party comments by an expert that evaluate the entire report, which will be reflected in producing next year's report.

● Scope of reporting

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

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

The scope for some items is stated on respective pages.

● Period covered by report

This report contains performance data for fiscal 2016 (from April 1, 2016 to March 31, 2017). Some information on previous or later activities is also included.

● Reference Guidelines

- *Environmental Reporting Guidelines* (Fiscal Year 2012 Version)
- *Environmental Accounting Guidelines 2005*
- ISO 26000
- *G4 Sustainable Reporting Guidelines* of the Global Reporting Initiative

■ 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.

QUALITY OF TIME AND SPACE

Starting Challenges toward 2030

Guided by its Mid-term Business Plan for Implementation 2020, the Toyota Boshoku group has begun striding ahead on a path of strong growth toward the future. Here, Toyota Boshoku welcomes Ms. Chieko Matsuda, who possesses extensive knowledge in management theory and practice, for a dialogue on initiatives for corporate growth while fulfilling our responsibility in harmony with society and for enhancing our corporate value.

Fiscal 2016 Saw Toyota Boshoku Solidify Its Business Footing and Take a Step toward New Growth

Matsuda First of all, please tell us what kind of a year fiscal 2016 was for Toyota Boshoku.

Ishii I have a keen sense that we entered an age of unpredictability due in part to a series of headline events that have shaken traditional values. These include the national referendum that decided the United Kingdom's exit from the European Union (EU) and the results of the U.S. presidential election.

Even under such conditions, I believe that fiscal 2016 was an extremely important year for Toyota Boshoku on a number of fronts. We steadily achieved important results thanks to the implementation of initiatives for solidifying our business footing that we implemented with the united efforts of the entire Toyota Boshoku group. Concurrently, we were able to draw the vision and strategies that will drive new growth into the future.

As noteworthy achievements of efforts to solidify our business footing, we made important strides in our profit structure reforms and attained profitability in The Americas region and re-evaluated unprofitable businesses in the Europe & Africa region. These efforts contributed immensely to improved profits for the entire Toyota Boshoku group. In projects for new products as well, the results of steady improvements in our basic manufacturing capabilities also became clear, as evidenced by the smooth start-up of production for the C-HR series of vehicles that incorporate seat frames compatible with TNGA*, Toyota Motor Corporation's new car manufacturing platform.

Reflecting the success of these measures, even though consolidated net sales decreased 57.8 billion yen from fiscal 2015

* Toyota New Global Architecture: A car manufacturing structural reform carried out by Toyota Motor Corporation for achieving dramatic improvements in the basic performance and product appeal of cars

President
Yoshimasa Ishii



VISION

■ The Company We Aim to Become

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

■ Our desired status in Business

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

■ Our desired status in Society

A trusted company that grows together with all stakeholders

Define our desired status more specifically

QUALITY OF TIME AND SPACE

Offer "QUALITY OF TIME AND SPACE" in all mobility

- 1 Our goal to enhance company growth while fulfilling our responsibility in harmony with society
- 2 Pursue sustainable growth and enhance our corporate value on a mid-to-long-term basis
- 3 Distribute profits and meet the expectations of our stakeholders

to 1,357.9 billion yen, we recorded significant increases in profits, as consolidated operating income increased 12.4 billion yen to 71.9 billion yen, consolidated ordinary income increased 21.1 billion yen to 77.2 billion yen, and profit attributable to owners of parent increased 41.4 billion yen to 45.3 billion yen.

Results Summary [Consolidated]

(Billions of yen)

	Fiscal 2016	Amount of change
Net sales	1,357.9	(57.8)
Operating income	71.9	12.4
Ordinary income	77.2	21.1
Profit attributable to owners of parent	45.3	41.4

Toyota Boshoku also moved ahead in establishing forward-looking growth strategies by clarifying the company we aim to become with a view to 2030 while determining the directions we will pursue in developing technologies and establishing the capabilities needed for realising the company we aim to become. Additionally, we formulated the Mid-term Business Plan for Implementation 2020 (hereafter Mid-term Business Plan for Implementation) as a roadmap for specifying the order of priorities in developing technologies and establishing needed capabilities and for clarifying the timing and actual measures to be undertaken. Toyota Boshoku also focused

Chieko Matsuda

Ms. Matsuda graduated with a BA from Tokyo University of Foreign Studies. She received her MBA at École nationale des ponts et chaussées in France and earned a PhD in Management from the Graduate School of Business Science, University of Tsukuba. After working at The Long-Term Credit Bank of Japan, Limited, Moody's Japan K.K. as a company ratings analyst, Corporate Directions, Inc. and as Vice President (Partner) of Booz and Company, Inc., Ms. Matsuda serves as Professor of Department of Business Administration, Social Sciences at Tokyo Metropolitan University (Graduate School) and Professor of School of Business Administration, Department of Urban Liberal Arts at Tokyo Metropolitan University. Presently, she also serves in numerous positions that include Senior Researcher, Japan Association for Chief Financial Officers; Outside Independent Director, Sato Holdings Corporation; Outside Independent Director, Hitachi Chemical Company, Ltd.; Outside Independent Director, Foster Electric Company, Limited; Audit & Supervisory Board Member (External), Kirin Holdings Company, Limited; and as a member of management committees at other public institutions.

Professor, Department of Business Administration, Social Sciences, Tokyo Metropolitan University (Graduate School)

Chieko Matsuda

Overview of Mid-term Business Plan for Implementation

1 Corporate Growth While Fulfilling Our Responsibility in Harmony with Society

2 Sustainable Growth

1) Strengthen Competitive Advantage

- (1) Develop new technologies and new products toward 2030
- (2) Manufacturing innovation toward 2030
- (3) Further enhance our fundamental capabilities in manufacturing

2) Strengthen Management Foundation

- (1) Strengthen our profit structure
- (2) Set up strong and resilient business structure
- (3) Create a global management foundation

3 Enhance Our Corporate Value on a Mid-to-Long-Term Basis

Annual Global Policy for Fiscal 2017

- | | |
|---|---|
| 1 Develop new technologies and new products toward 2030 | 6 Rebuild our business structure in Japan |
| 2 Manufacturing innovation toward 2030 | 7 Build a resilient business structure |
| 3 Strengthen our R&D capabilities | 8 Develop a management information structure |
| 4 Strengthen our production engineering/production capabilities | 9 Create a lively work environment where diverse people can fully demonstrate their abilities |
| 5 Evolve our System Supplier System | 10 Enhance corporate value (corporate value management) |

on environmental-related initiatives. To this end, we formulated the 2050 Environmental Vision that articulates the directions and goals we will pursue in undertaking environmental activities. By establishing this vision, we took a step forward toward attaining our stretch goals.

Matsuda I read your presentation materials beforehand to prepare for our dialogue today. Among these, I was most impressed by the words “Mid-term Business Plan for Implementation 2020.” Rather than just using the template title of Mid-term Business Plan, your emphasis on the word “implementation” distinguishes Toyota Boshoku from other companies. Using this word also gave me a sense of the strength of your determination, President Ishii.

Ishii Thank you. I did not want to devise a mid-term business plan that we finish up just as a “plan” that merely contains a lot of numbers, so I purposely added the word “implementation.” I did so based on my thinking that it is essential to break down initiatives as specific actions to strengthen our competitiveness and to strengthen the management foundation to realise sustainable growth for the future of the Toyota Boshoku group and then firmly implement these initiatives to their completion.

Toyota Boshoku’s Navigation Chart for Opening the Way to the Future Mid-term Business Plan for Implementation 2020

Matsuda Could you describe the aims and goals of Mid-term Business Plan for Implementation?

Ishii Technological innovation such as the Internet of Things (IoT) and artificial intelligence is currently sweeping across the world with ever-increasing speed. In parallel with these technological advances, the mobility environment is also expected to undergo breathtaking changes in the future, as exemplified by the advance of automated driving and the increased electrification of vehicles. This evolving environment will eventually bring changes that significantly reshape the automobile industry and the automotive components industry. I believe that tackling the challenge of developing new technologies that respond to the demands of society and the needs of customers



ahead of our competitors and leading these evolving trends will ensure a bright future for Toyota Boshoku. Acting on this conviction, we crafted the Mid-term Business Plan for Implementation as a navigation chart for marshalling our collective strengths and using our own ideas to open a path to Toyota Boshoku's future.

The Toyota Boshoku group was formed in 2004 through the merger of three companies, Toyoda Boshoku Corporation, Araco Corporation and Takanichi Co., Ltd., and thus brings together people with diverse backgrounds. With this in mind, I also sought to devise a plan that enables all company members to share work methods and implementation measures and that provides an easy understanding of the roles and contributions required of each and every member to attain the Company's overall goals.

Matsuda I believe the larger the company and the more diverse its businesses become, the more unshakeable axes of management are needed. So this means that with many companies operating their management plans as well as their fiscal year policy and day-to-day businesses on separate axes, your approach to formulating the plan is clearly reasonable.

Ishii That is correct. The future outlook is certain to change given that the current environment is evolving so dramatically. Therefore, I am open to updating and revising action items and goals of the Mid-term Business Plan for Implementation and the fiscal year policy that are based on this plan in response to these changes. I also believe we should discontinue action items no longer needed as the environment changes.

Matsuda Flexibly adjusting the fiscal year policy and day-to-day business plans will enhance the movement of both your organisation and individuals so I think this is an important point. Next, could you explain the relationship between Toyota Boshoku's Mid-term Business Plan for Implementation and its corporate philosophy?

Ishii In keeping with the corporate philosophy and the Principles of Toyoda that encapsulate the thinking of founder Sakichi Toyoda, the cornerstone of our operations, the vision we formulated in 2012 specifies "the company we aim to become" as "Looking into the future, we will create tomorrow's automobile interior space that will inspire our customers the world over." At the same time, we also defined "our desired status in business" and "our desired status in society." Under the Mid-term Business Plan for Implementation, we defined the desired status we aim to achieve and devised a roadmap to realise "the company we aim to become" through sustainable growth. We will strive to systematise and ensure the effectiveness of the plan by breaking down the roadmap into an action plan in the form of the fiscal year policy and then further breaking these down to the executive, division general manager and operational personnel levels.

We have stated QUALITY OF TIME AND SPACE (Offer "QUALITY

OF TIME AND SPACE" in all mobility) as the concept that even more specifically defines "our desired status in business." In response to a dramatically changing automobile industry and evolving interior space, along with values such as safety and the environment, we are taking the initiative in proposing "comfort value" that regards design, light and sound as a single space as we strive to become a system supplier of mobility space that leads the world.

As "our desired status in society," our goal is to enhance corporate growth while fulfilling our responsibility in harmony with society. In doing so, I believe that pursuing sustainable growth and enhancing our corporate value on a mid-to-long-term basis and distributing profits to and meeting the expectations of our stakeholders are crucial.

Matsuda President Ishii, under your corporate philosophy you formulated a vision and strategies and then based on these you are trying to build a management-led framework that drives the organisation. Although many Japanese companies take a bottom-up approach, I think you are aiming for management that pushes and breaks down the corporate philosophy from the top. I sense that you are trying to shift from giving priority just to operations and move toward management-centred operations.

Ishii You are absolutely right. Actually, although we face some issues, I believe our business execution level is quite high within the automotive components industry. Therefore, I recognise that during our growth process since the three-company merger, we have now entered a stage when we should build a management foundation following the previous stage of prioritising operations. I would like to build a management framework and a management-focused growth foundation for the future to also ensure we can pass along the baton for growth to the next generation. By starting these future-oriented initiatives, I am confident we have also expanded opportunities for considering the future and engaging in dialogue at various venues within the company.



Growth in Harmony with Society and Contributing to Social Value by Redistributing Economic Value

Matsuda Within the Mid-term Business Plan for Implementation, you clearly state “we will 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.” Corporate value demanded by investors refers to the ability to generate future cash flows as well as to economic value. As reflected by the frequently expressed term ESG (environmental, social and governance), recently there has also been a focus on social and environmental-related initiatives as well as on governance for the oversight of corporate activities that encompass these initiatives. For companies, this can also probably be regarded as raising social value through corporate social responsibility (CSR) and other activities. There are numerous experts who believe it is important to think of corporate value with consideration of both economic value and social value. What are your thoughts on this point?

Ishii The Principles of Toyoda that I alluded to earlier embody the concept of business for the sake of the world and for people. For this reason, I believe that companies must generate profits to ensure their ongoing existence. As long as we undertake business using the precious natural and other resources of society, we must fulfil our responsibilities as a social entity as well as distribute the economic value generated through our business to society.

Under the Mid-term Business Plan for Implementation, we will strive to enhance economic value through the pursuit of sustainable growth and as a result share what we have achieved with our stakeholders. At the same time, we will invest for sustainable growth and appropriately make allocations for a sound financial condition. Regarding dividends, we will maintain our policy of long-term, stable dividend payouts and aim to incrementally raise the dividend payout ratio to 30%. Additionally, as investments for growth, we will secure resources needed for executing the Mid-term Business Plan for Implementation. Meanwhile, as measures for ensuring a sound financial condition, we intend to attain ROE of approximately 10% and aim for a capital adequacy ratio of 40% as we gradually enhance our equity capital.

Matsuda What sort of policies do you have for contributing to social value?

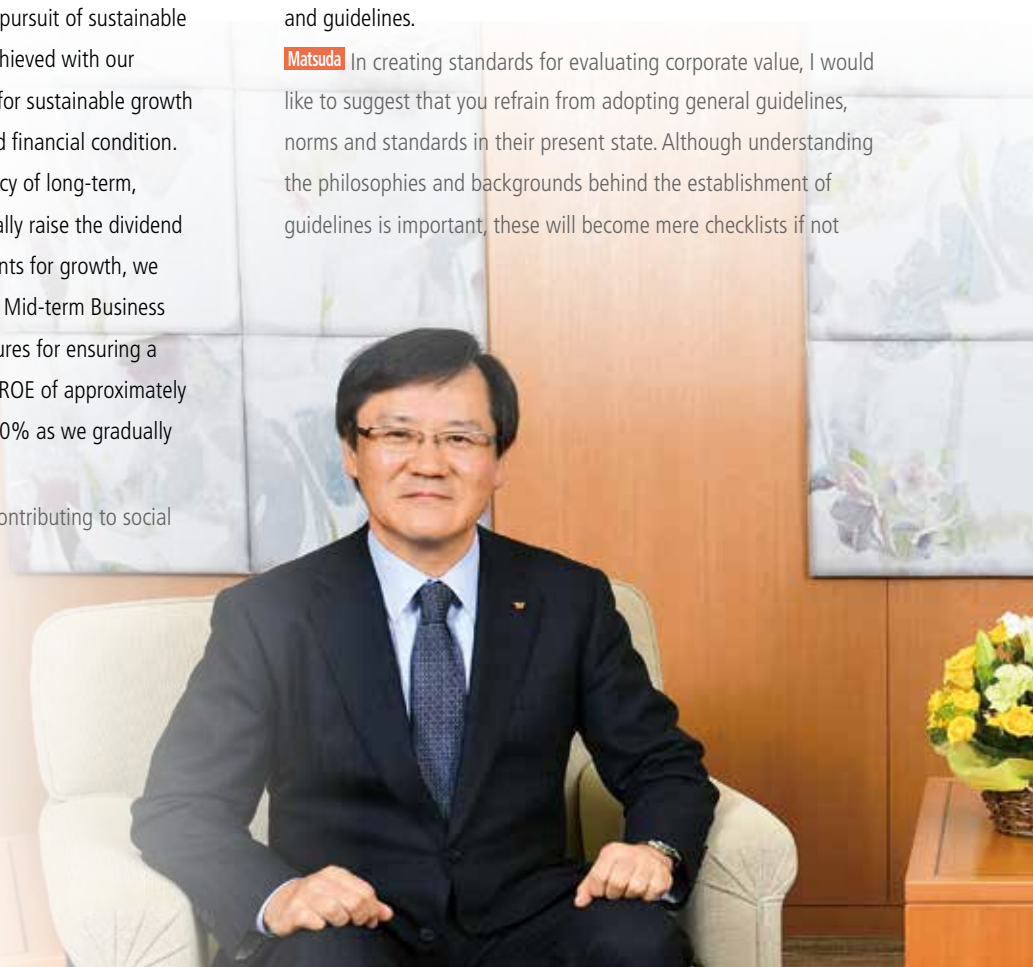
Ishii Under the Mid-term Business Plan for Implementation, we are undertaking CSR activities with particular emphasis on the environment. We aim to enhance company growth while fulfilling our responsibility in harmony with society as we raise medium- and long-term economic value and distribute profits to our stakeholders and thereby contribute to our social value.

Matsuda Companies inherently have founding philosophies of undertaking activities in their own interests while also seeking to do something that benefits society. However, companies must generate profits and sustain their business to continue making contributions to society. In other words, although the extent to which companies can properly manage economic value and social value is important, I believe that ascertaining the degree of satisfaction of each stakeholder is a core axis of management. I think that perhaps satisfaction surveys for various stakeholders, third-party evaluations and other means can be used as management tools.

Ishii Based on the corporate philosophy, the TB Way and Toyota Boshoku group code of conduct define how we should interact with stakeholders and the types of value we should provide them. I hope to use the ideas you just described as a point of reference for evaluating and managing our corporate value.

Fiscal 2018 will mark the 100th anniversary of the founding of our predecessor Toyoda Boshoku by Sakichi Toyoda. I believe this occasion affords an ideal opportunity for updating Toyota Boshoku's philosophy and systems and code of conduct and creating standards for evaluating corporate value while taking into consideration the various demands of society and internationally recognised values and guidelines.

Matsuda In creating standards for evaluating corporate value, I would like to suggest that you refrain from adopting general guidelines, norms and standards in their present state. Although understanding the philosophies and backgrounds behind the establishment of guidelines is important, these will become mere checklists if not



comprehended and adopted in accordance with the circumstances of one's own company. From the perspective of the degree to which you can realise your aspired shape, re-evaluating all initiatives and key performance indicators (KPIs) and determining a company's own suitable materiality are essential.

Ishii The most important aim for Toyota Boshoku is to be recognised by our customers who are automakers and end users. To win this recognition, we must first of all raise the value provided to customers, which we have defined as "QUALITY OF TIME AND SPACE." After this, we should organise other initiatives as well as the indices that evaluate these taking into consideration Toyota Boshoku's management philosophy, including the corporate philosophy. As a responsibility of management, I would like to determine whether or not we are adequately undertaking important tasks based on our original values, systematise initiatives and indices, firmly execute matters that need to be performed and discontinue non-essential matters.

Matsuda That is so true. I think it would be great if you clearly identify the order of priorities for what is important and what is unimportant for raising corporate value.

Toward the Further Growth of the Toyota Boshoku Group

Matsuda For evaluations by stakeholders, ESG that I referred to previously is becoming imperative when shareholders and investors evaluate companies. However, I get the sense that in fact governance is the most important of these. The primary participants in governance are the company management, the board of directors, shareholders and investors and the way in which discipline is being effectively applied to management is an important matter.

Ishii In June 2017, we increased the number of outside directors from three to four while alternatively reducing the total number of Company directors to streamline our governance structure. By

doing so, we aim to raise the effectiveness and objectiveness of the Board of Directors as well as further accelerate decision-making and strengthen our governance. Additionally, we recognise that nurturing management candidates is also important.

The proactive and dynamic ethos born within the Company also should be commended. This ethos was created through our business restructuring and the formulation of new growth strategies in response to changes in the global automobile industry and intensifying competition among automotive component manufacturers.

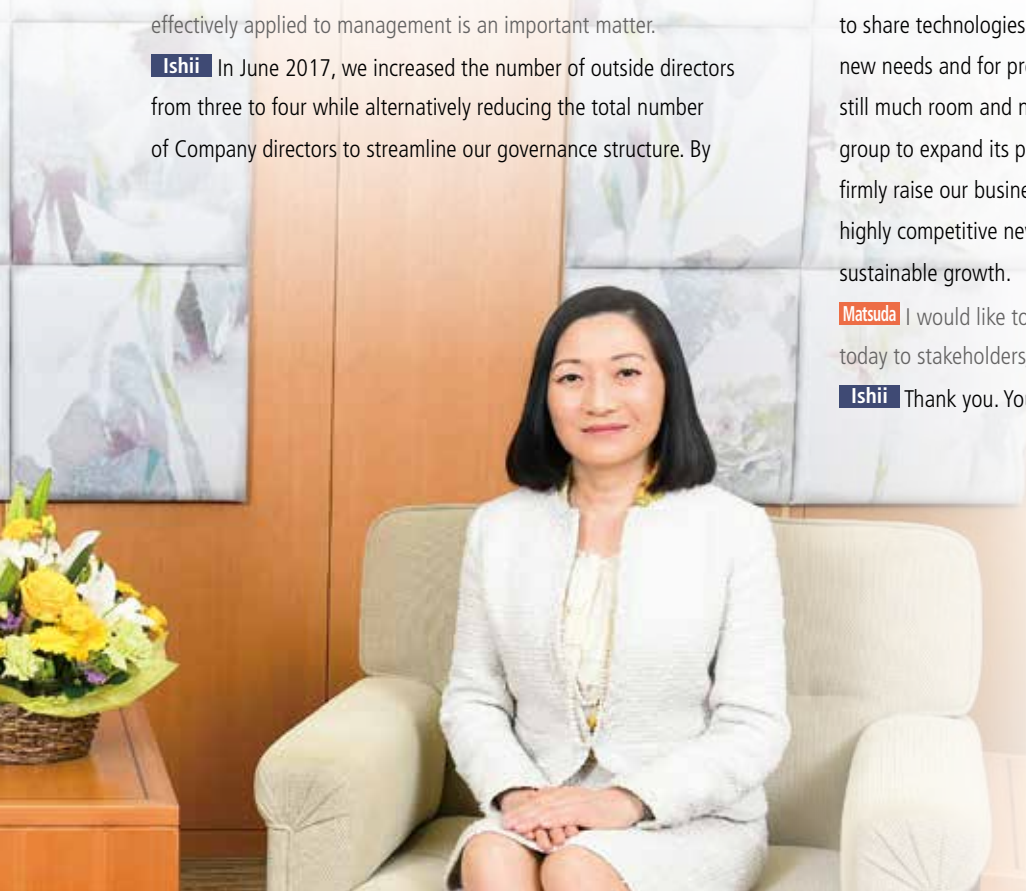
Matsuda I also serve as an outside director at companies involved in automotive components and electronic components so I have a genuine sense of being in an age of change with an unforeseeable future. I believe that challenging times such as today make engaging in spirited discussions at the Board of Directors and nurturing management candidates possessing new skills even more meaningful.

Moreover, besides just responding to the demands of customers, drawing a vision of the future and proactively moving into action are also crucial. Creating things that are completely new will probably be the key from here on. The creative ethos that has filled Toyota Boshoku is extremely important and truly remarkable.

Ishii I agree. I believe the functions demanded in mobility space will change in step with trends such as automation and connection and car sharing and a multitude of scenarios are possible. Without possessing the requisite technologies and abilities for responding to a diversity of scenarios, we will be unable to respond to new needs and be left behind by these changes. With its dominant market share in Japan, Toyota Boshoku has the unique potential to position itself to share technologies with automakers as a conduit for identifying new needs and for providing new proposals. So in this sense, there is still much room and numerous opportunities for the Toyota Boshoku group to expand its presence. To seize such opportunities, we will firmly raise our business management capabilities while creating highly competitive new products and technologies and aim for sustainable growth.

Matsuda I would like to see you emphasise the details of our dialogue today to stakeholders, beginning with investors.

Ishii Thank you. You can count on us to meet your expectations.



Toyota Boshoku Group's Desired Status for the Future

— Three Executive Vice Presidents Discuss Three Key Themes —

The Toyota Boshoku group aims to realise “Our desired status in business” and “Our desired status in society” as articulated in our Vision, and it has started respective initiatives for its growth strategies, raising corporate value and the environment that are based on the Mid-term Business Plan for Implementation 2020. Here, three Executive Vice Presidents responsible for overseeing the measures in these respective areas talk about the Toyota Boshoku group's future initiatives, desired status and future directions.

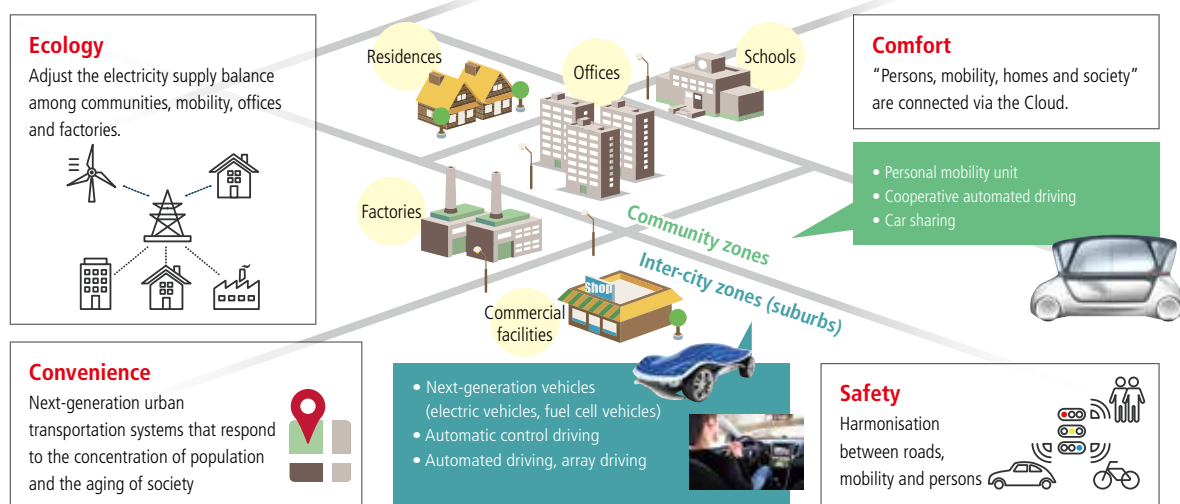
Growth Strategies

An innovative year that looks ahead to the mobility society of the future is about to start.

Executive Vice President
Kohei Hori



Changes in Society and Urban Transportation



There are two perspectives in undertaking initiatives that look toward the future in 2030. One of these is “changes in society and urban transportation.”

Amid the major shifts in the social environment surrounding our lives, the mobility environment will also witness dramatic changes, such as the spread of personal mobility units and the introduction of next-generation transportation systems, and a major revolution seen once in a hundred years is about to occur in the automobile industry.

In anticipation of these changes, we aim to realise **QUALITY OF TIME AND SPACE**, which is the value we provide customers, by pursuing the comfort value of mobility space based on safety and the environment. Specifically, we will carry out the following initiatives premised on the integrated control system for sensing, logic and devices that utilise research on human characteristics as basic technologies.

[Comfort] Developing a system capable of leading passengers into a state of relaxation and offering the optimum level of air conditioning for each passenger in interior space

[Safety] Developing technologies to warn people about danger in the case of an emergency, such as a system to alert and wake

drivers, and developing technologies for a posture control system compatible with automated driving

[Environment] Developing components such as motor cores, fuel cell components and other next-generation power sources and develop materials and structures such as nanostructure control materials and multi-materials that contribute to lighter weight

The second perspective in undertaking initiatives is the “evolution in manufacturing.” Plants will receive and transmit a variety of information to and from customers and local communities and foster even closer ties to markets. Along with this, we will leverage digital engineering and promote initiatives for sustainable manufacturing innovations in harmony with nature.

Looking 50 years into the future, we aim to create so-called blue oceans, which are uncontested markets through distinctive products, as our fourth and fifth pillars. The year 2017 will be our “ignition year” in terms of anticipating the future and implementing strategies, and we are already fired up. I would also like to see 2017, the first year for executing strategies, be a year when we make a paradigm shift from components to car interior space.

Enhancing Corporate Value

Achieve enhancement of corporate value together with our stakeholders



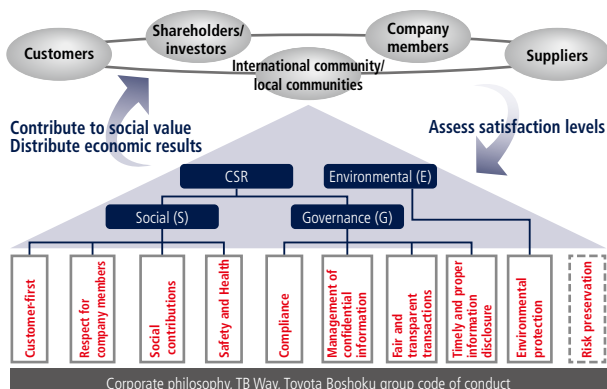
Executive Vice President

Takeshi Numa

We believe that raising corporate value means improving social value and expanding economic value by pursuing sustainable growth.

We aim to distribute to our stakeholders and other shareholders what we have achieved by enhancing corporate value and meeting the medium- to long-term expectations of our stakeholders by reinvesting toward sustainable growth.

As shown in the diagram below, based on our corporate philosophy, the TB Way and Toyota Boshoku group code of conduct, we are promoting CSR activities evolving around initiatives such



as compliance for enhancing company growth while fulfilling our responsibility in harmony with society.

Throughout the world, there are a variety of different issues facing communities and societies arising from cultural differences. In terms of social value, I would like to place great importance on considering what we can do for communities as a company rooted in the community and work hand in hand with local communities to solve their respective issues. Meanwhile, in raising economic value, we will respond to new rules and laws that differ from those in the past not only for financial indicators but also those concerning foreign exchange issues and border taxes.

With the aim of enhancing company growth while fulfilling our responsibility in harmony with society, we will strive to enhance corporate value by contributing to the development of local communities and society through the investments received from our stakeholders. I will strive to continually perceive corporate value from the standpoint of our stakeholders and make my utmost efforts together with all company members to ensure the sound development of our company.

Environment

Aiming for a sustainable global environment through our "2050 Environmental Vision"

To the present, the Toyota Boshoku group has formulated an Environmental Action Plan every five years and promoted a variety of activities while steadily attaining the plan's targets. Additionally, in 2016 the group formulated the 2050 Environmental Vision with the aim of achieving sustainable growth in the future and also established the 2020 Environmental Action Plan, which is a medium-term plan of action aimed at realising the vision.

2050 Environmental Vision 6 Stretch Environmental Goals

- 1 Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group
- 2 Challenge of achieving zero CO₂ emissions in the product life cycle
- 3 Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling
- 4 Challenge of minimising natural resources usage
- 5 Challenge of minimising wastes produced by the Toyota Boshoku group
- 6 Challenge of planting 1.32 million trees as part of reforestation activities

Executive Vice President
Takamichi Taki

In fiscal 2016 we started off toward the attainment of new targets and also achieved our fiscal 2016 targets for all action items. Moreover, we have already commenced efforts to implement fundamental initiatives, such as for new technologies, new methods and materials development, that transcend the spheres of improvements made to the present.

Social demands for taking action on the environment have been rising more than ever before. This includes the Paris Agreement, an international accord concerning climate change formulated in 2015, as well as the growing movement in recent years toward demands for the implementation of environmental initiatives as a prerequisite for investment decisions by investors.

The Toyota Boshoku group will of course firmly respond to these demands by society and believes that taking on the challenge of attaining the 6 Stretch Environmental Goals will lead to an increase in corporate value as specified in the Mid-term Business Plan for Implementation 2020. As we promote various activities, we will strive to meet the expectations of our stakeholders.

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

Aiming to Become a System Supplier of Mobility Space That Leads the World

The Toyota Boshoku group aims for sustainable growth based on its fundamental mission of “QUALITY OF TIME AND SPACE,” or in other words, we offer enriched and higher-quality time and space to people in mobility interior spaces. Our efforts to realise this goal revolve around four businesses consisting of three core product businesses, namely the Seat Business, Interior & Exterior Business and Unit Components Business, in addition to the Emerging-market Compact Car Business that we established in April 2017. Here, four group chiefs talk about initiatives in fiscal 2016 and fiscal 2017 as well as their aspirations for these businesses based on the Mid-term Business Plan for Implementation 2020.

Seat Business

Further advancing product development from a with the aim of becoming a “seat professional”

With production lines worldwide, the Seat Business is the Toyota Boshoku group’s mainstay business. While solidifying our business footing, we will implement future-looking growth strategies and establish a structure that anticipates changes in the market as a seat supplier with strong proposal capabilities as we strive to create appealing seats.

■ Highlights of initiatives in fiscal 2016

- Achieved results from the integration of the mechanical seat frame component businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation
- Started building optimal production structures in Japan and North America
- Progressed with the standardisation of development, design and other functions
- Created a corporate culture conducive to taking on challenges

Looking back at fiscal 2016

The benefits derived from the integration of the mechanical seat frame component businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation are steadily emerging. Prior to this integration, we tended to look at seats merely in terms of components. However, as we integrate the design, production technologies and production of the three companies and enhance efficiency, I believe we are

now able to view these components from the broader perspective of the entire seat and car, which allows us to make proposals closer to a user’s perspective. In terms of efficiency, the integration of businesses has enabled us to start building structures for integrated production ranging from seat structural components to assembly in Japan and North America.

By making these moves, we raised productivity and I am hoping this will lead to an unprecedented level of competitiveness at times of model changes.

Also, we are aware that enhancing the sensitivities of staff members responsible for design and development play an important role in raising product competitiveness. Acting on this awareness, we have begun creating a corporate culture that encourages people to take on challenges without fear of failure. In line with these efforts, we also promoted activities for making proposals for actual product commercialisation under the project name “Let’s make an ever-better seat!” with the registered theme “the seat I desire” as envisioned by each and every person. I am confident we have started creating a new corporate culture that will foster increased creativity and facilitate our ability to proactively make proposals and develop highly competitive products for the future.

For further growth

We will continue to accelerate decision-making and speed up development in the Seat Business Group. To do so, we will strengthen the planning division within the Seat Business Group,

The Company We Aim to Become/Company's aspirations

- ① Provide all mobility seat systems and earn the trust of customers as a specialist supplier.
- ② Proactively lead the way in comfort value and contribute through "QUALITY OF TIME AND SPACE" as a seat system supplier transcending the group.

newly establish the management function division and strengthen plan proposal capabilities throughout the entire business group organisation.

From next fiscal year onward we expect to witness an increasing number of new model launches. We have carried out operations to the present with an insistence on standardisation. Nonetheless, we will further speed up this standardisation and accelerate efforts to enhance the efficiency and competitiveness of our product development.

In the near future, the environment surrounding our business will undergo major changes, as exemplified by advances in automated driving, and the technologies and functions demanded in seats are also likely to shift dramatically. In response, we will launch various preparations in control and electronic components, enhance our system development capabilities and strengthen our development structure. We will also derive benefits from the business integration with Aisin Seiki and Shiroki. Under a business partnership agreement formed with Tachi-S Co., Ltd. in March 2016, we will mutually supply existing components, mutually use production bases and facilities and focus on the joint development of new components, while giving more concrete shape to this collaboration.

Through these multi-faceted initiatives, we will strive to earn acclaim from and be entrusted by domestic and overseas automakers as a professional in seats.

Executive Managing Officer
Group Chief, Seat Business Group
Masanobu Ishikawa



Toyota Boshoku concludes business partnership contract with Tachi-S

Toyota Boshoku and Tachi-S are striving to strengthen their respective competitiveness by developing a variety of future-oriented new technologies and spurring manufacturing innovation. To further promote these efforts, the two companies concluded a business partnership agreement. The agreement calls for the mutual use of each other's knowledge, know-how and business resources with the aim of further strengthening competitiveness. Through this business partnership, the two companies will fortify their ability to manufacture appealing automobile seats that exceed customers' expectations while leveraging their respective technological and manufacturing prowess.



Tachi-S president Taro Nakayama (left) and Toyota Boshoku president Yoshimasa Ishii

Interior & Exterior Business

Aiming for a further evolution based on a proven track record as a system supplier

The Interior & Exterior Business proposes a total range of products by offering a variety of components and products such as door trims, headliners and floor carpets as a systems supplier and provides added value that matches changes in the times. Besides raising safety and reducing environmental impacts, this business also proactively strives to create attractive interior spaces such as through the use of texture, design, acoustics and light to enhance interior spaces.

■ Highlights of initiatives in fiscal 2016

- Start of production of new models
- Development of new technologies
- Commercialisation of high impact-resistant plastic
- Streamlining of development and promoting standardisation

Looking back at fiscal 2016

I consider fiscal 2016 to be a year in which we steadily took further steps forward as an interior system supplier.

In development and production technologies, the production of several new models started during the year. To this end, production of the Toyota C-HR started up smoothly in Turkey and in Japan (Tohoku). As a system supplier, Toyota Boshoku is also undertaking total coordination of the interior of the LEXUS LC (Luxury Coupe). These interior products that emphasise tactile properties and texture are attracting the attention of customers. The launch of production of interior components for the BMW X1 compact SUV was also a huge experience.

Executive Managing Officer
Group Chief, Interior &
Exterior Business Group
Masaya Ishii



We obtained new knowledge and including a technology for simultaneously pasting two types of surfaces with different material qualities onto a kenaf base material for door trims. I hope to apply our experience from this project to other products as well in the future.

In materials development, Toyota Boshoku and Mitsui Chemicals, Inc. progressed with the partnership for the commercialisation of "high impact-resistant plastic" that we announced in fiscal 2016. This plastic realises the world's top level of high impact resistance and is expected to contribute to the high functionality and lighter weights of automotive components such as doors and seat backboards. We have expectations that this material will find applications in fields other than automobiles as a widely used material following kenaf.

In fiscal 2016 and fiscal 2017, we will streamline development and standardise design processes through actual development. I also believe that initiatives through which staff from development, production technology and production for each product line such as door trims and headliners combined their strengths will help enhance design and product capabilities in the future.

For further growth

To carry out development that meets the expectations of our customers and earns their further trust, we will accelerate the adoption of new technologies and development toward commercialisation. To do so, we are steadily promoting activities for solidifying our business footing such as standardising our work methods and design processes. Concurrently, we will also enhance human resources

Interior of the LEXUS LC (Luxury Coupe)



The Company We Aim to Become/Company's aspirations

Make timely proposals of totally coordinated and appealing interior products that open the way to the future.

[Comfort] Realise comfortable spaces through interior and exterior total coordination.

[Environment/Safety] Be the best in realising lighter weights and reducing heat loss (materials/structures/combinations).

development, raise efficiency, eliminate waste and allocate the resources saved through these efforts toward development and creating ideas for the future.

Besides these activities, we plan to propose interiors for cars of the future and contribute to "QUALITY OF TIME AND SPACE." As activities for supporting the idea of "Let's make ever-better cars," we will bolster cooperation with our collaboration partners and strengthen activities to propose total mobility interior spaces and systems to ensure we can continue activities ahead of our competitors toward the future.

While anticipating mobility interior spaces of the future that will change in step with the evolution of automated driving and the Internet of Things (IoT) technologies, we will create new value and continue taking on challenges that exceed customer expectations.



As part of activities, we are implementing surveys of competing vehicles and sharing information with our collaboration partners and linking these efforts to proposals.

Toward the commercialisation of "high impact-resistant plastic"

Toyota Boshoku and Mitsui Chemicals, Inc. conclude a Patent License Agreement

Toyota Boshoku has concluded a patent license agreement under which Mitsui Chemicals will utilise and commercialise Toyota Boshoku's patent for high impact-resistant plastic. From November 2016, Toyota Boshoku began considering a business alliance with Mitsui Chemicals for the commercialisation of the high impact-resistant plastic. Going forward, Mitsui Chemicals will utilise its manufacturing technologies, equipment and sales channels to promote this plastic as one of Mitsui Chemicals' resin modifiers with the aim of expanding its use in automotive, industrial goods and consumer goods markets.

Possibilities of high impact-resistant plastic



Unit Components Business

Raising development capabilities and proposal capabilities and taking on the challenge of expanding business fields

The Unit Components Business carries out its business in four product lines, namely filters, air induction systems, fuel cell (FC)-related products and electric powertrain-related products. Each of these product lines is deploying its own respective strengths. These include functions that improve the quality of air, which is invisible to the eye, and the development of technologies and materials befitting a new generation. Fuel cell (FC)-related products and electric powertrain-related products are fields with especially high future potential and expectations.

■ Highlights of initiatives in fiscal 2016

- Adopted high function filter products
- Strengthened brand power of filter products
- Expanded sales routes for air induction systems
- Human resources development through the KI method

Looking back at fiscal 2016

During 2016, the functions, thinking and strategies of the business group structure permeated our business and we obtained clear results based on an action plan and were able to expand production volume.

In filter products, our high function products that reduce weight and further improve aeration properties were adopted. Additionally, we strengthened our brand power with the aim of expanding aftermarket business. For air induction systems, the competitiveness of each of our products, including cylinder head covers, was recognised and this allowed us to expand new orders. As for FC-related products and

electric powertrain-related products, our weight-reducing capabilities and the high levels of our technological strengths and quality have been recognised by respective automakers and this will lead to future growth.

I believe the main factor underlying these achievements is our efforts to enhance efficiency and make improvements in all aspects of our business. In particular, to work more efficiently we are using the Knowledge Innovation (KI) method and promoted close communications, which has helped improve mobility. Through these efforts, we are establishing an environment where company members can work enthusiastically with a sense of fulfilment. Our efforts extending from sales through to development, design and production preparation are now bearing fruit and I have a genuine sense that we have established a system that can be further expanded and upgraded.

For further growth

Regarding filter products, we expect future sales to grow and we will therefore raise productivity and enhance product capabilities, which also includes supply volumes. For air induction systems, we will work to strengthen product functions. As for FC-related products

■ Filters



Air filters



Oil filters

■ Fuel Cell-related Products



Stack manifolds



Separators

■ Air Induction Systems Products



Air induction systems



Air cleaners

■ Electric Powertrain-related Products



Motor core constituent parts
(For hybrid system)

The Company We Aim to Become/Company's aspirations

We will leverage and strengthen Toyota Boshoku's attributes to become a supplier that continually provides appealing products and systems in units (powertrains).

and electric powertrain-related products, we anticipate the ongoing diffusion of hybrid vehicles and electric vehicles, and in response, we will develop new technologies and new materials to offer systems combining these two product lines and make innovative proposals. We will also expand peripheral businesses and take on the challenge of cultivating new businesses.

To ensure our four mainstay product lines all acquire the necessary capabilities, in fiscal 2017 we plan to proactively carry out sales activities for making proposals to automakers ahead of our competitors and ensure this leads to sales growth.

Regarding next-generation vehicles, although we are attracting the attention of European automakers, in the current fiscal year we will also focus on activities for raising our brand recognition levels in Europe. I believe that raising our presence in Europe will also enable us to expand sales globally, including in China and other parts of Asia as well as in the United States.

For human resources development, we will continue fiscal 2016 activities and implement measures spanning the entire business group. We will operate systems that enable each and every person to advance within highly vibrant and motivating workplaces to facilitate the creation of system products based on new concepts.

Regarding filter products and air induction systems, we will strive to maintain high product capabilities and remain a step ahead of the rapid advances in next-generation cars. Also, we will respond promptly to changes in the times while also considering the use of our global production bases.

By forcefully implementing these activities, I would like to continue achieving growth as a global systems supplier.

Managing Officer
Group Chief, Unit Components
Business Group
Shouji Adachi



Newly developed air filter*

By developing a filter medium from even smaller fine fibres, Toyota Boshoku has realised an air filter with reduced pressure drop (reduces ventilation resistance), which includes raising capture capabilities while widening the filter material pleated spaces to improve air permeability. This filter is 30% lighter than conventional products and contributes to an improvement in fuel efficiency.

*Filters remove dirt, dust, sand and other debris contained in air sent by the engine inside the air cleaner.

美濾 MIRO



Newly developed air filter



Emerging-market Compact Car Business

Seizing a golden opportunity for raising Toyota Boshoku's presence in highly promising emerging country compact car markets

Launched in April 2017, the Emerging-market Compact Car Business Group specialises in and handles compact cars for emerging countries, beginning with Thailand, Indonesia and Malaysia. This business group promotes cross-functional development, procurement and manufacturing reforms for excellent quality and reasonably priced seats and interior and exterior components. This business group is starting to take on new challenges aimed at creating highly competitive products based on totally new concepts leveraging the development capabilities and production technology capabilities cultivated to the present.

Reasons for establishment and aims

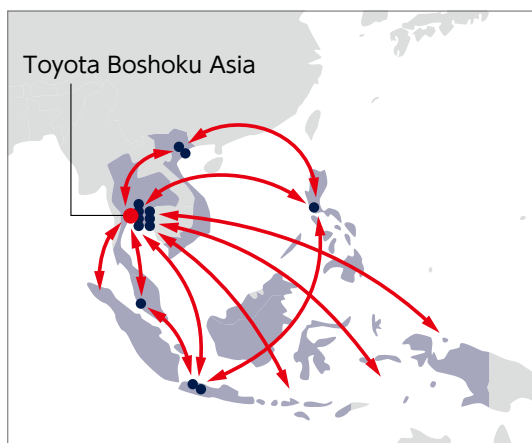
The Emerging-market Compact Car Business was established in April as a business group specialising in compact cars for emerging

countries, where large growth is expected in the future. Until now, we operated a business structure consisting of the Osaka Marketing Office in Japan and Toyota Boshoku Asia (TBAS) in Thailand, which quickly and smoothly obtained information close to customers. However, with a view to our future business, it is clear that we must strengthen our operations. Our mission is to promote cross-functional development, procurement and manufacturing reforms for excellent quality and reasonably priced seats and interior and exterior components for compact cars in emerging countries.

First of all, we regard Southeast Asia, including Thailand, Indonesia and Malaysia, as our main arena. In this market, we will make proposals to automakers for seats and interior and exterior components for compact cars.

Our approach is to learn about design concepts, procurement methods and performance unique to compact cars and take on totally new challenges.

We intend to carve a path for future growth by leveraging our development capabilities and production technology capabilities



Managing Officer
Group Chief, Emerging-market
Compact Car Business Group
Hiroki Tsunoda



cultivated to the present and quickly undertake from scratch the planning and development of products exclusively for compact cars without being constrained by stereotyped ideas. We have already commenced planning and development as we benchmark the characteristic performance standards of compact car models and the unique quality standards of Southeast Asian markets. We will also implement procurement, manufacturing and sales reforms.

Aiming for new driving forces of growth

A priority theme in fiscal 2017 will be to formulate the best performance and quality standards in emerging countries. To do so, we will strengthen our benchmarking of compact cars of competitors and in emerging markets, fortify our surveys of mini-cars, and implement surveys of supply chains and materials costs and initiate procurement reforms. We will also reform our production and sales methods and take on challenges to offer optimal products for compact cars without fear of failure or being bound by Toyota Boshoku group standards and rules to the present at all stages as we make our utmost efforts to offer plans and proposals targeting the end of 2017.

In development, weight reduction and modularisation are key issues and so we will focus on developing standard frames, structures and functional components specifically for emerging country markets. To develop lightweight, compact and highly safe frames for seats, we intend to fully utilise the benefits from the

integration of the businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation and our business partnership with Tachi-S Co., Ltd. Meanwhile, we will maintain our uncompromising insistence on valuing riding comfort, operability, feeling and safety performance of seats suited for emerging markets.

We currently operate under a compact business group structure. However, we will enhance our structure while utilising the resources of the three other business groups and Regional Management & Collaboration Hubs.

The establishment of our business group provides a business opportunity for utilising the strengths of the Toyota Boshoku group cultivated to the present and for changing weaknesses into strengths. In the future, we aim to carry out our compact car components business not only in Southeast Asia but also throughout the world, beginning with Japan, to become the Toyota Boshoku group's fourth product group.

Organisational mission

Promote the cross-functional development, procurement and manufacturing reforms for excellent quality and reasonably priced seats and interior and exterior components for compact cars in emerging markets.



Leveraging the Unique Characteristics of Each Region and the Advantages of Our Collective Strengths to Raise Manufacturing Capabilities and Lead World Markets

The Toyota Boshoku group aims for sustainable growth in the five geographic regions of Japan, The Americas, Asia & Oceania, China, and Europe & Africa. In line with these efforts, we are responding flexibly and dynamically to the market environments and social circumstances unique to each region as well as raising product competitiveness, strengthening manufacturing capabilities and developing human resources in each region. Here, five headquarters' group chiefs talk about initiatives in fiscal 2016 and fiscal 2017 and discuss their thoughts about their businesses based on the Mid-term Business Plan for Implementation 2020.

Japan

Number of sites **29** companies
 Number of employees **13,000**
 Net sales* **718.6** billion yen

The Americas

Number of sites **26** companies
 Number of employees **10,104**
 Net sales* **295.4** billion yen

China

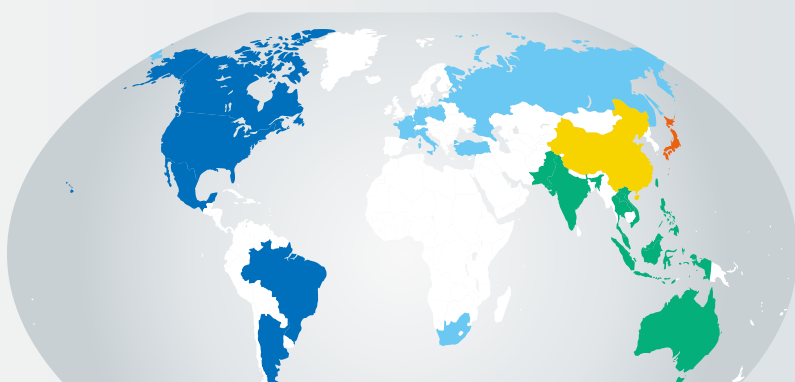
Number of sites **40** companies
 Number of employees **13,204**
 Net sales* **327.6** billion yen

Number of sites, number of company members and net sales are the totals for the China and Asia & Oceania regions.

Asia & Oceania

Number of sites **11** companies
 Number of employees **5,120**
 Net sales* **90.6** billion yen

*Before elimination of intersegment sales in each region



Japan

Building a profitable and highly competitive production structure toward sustainable growth

Goals and issues in fiscal 2017

Strengthen quality.

Build a production and supply structure.

Support regions outside Japan.

Initiatives for fiscal 2016

In April 2016, we started operating as the reborn Japan Region Group under a new organisation that combines Toyota Boshoku's directly controlled in-house production plants and 20 subsidiaries and affiliates. We believe our mission consists of three points:

1) manage plants and affiliates that earn the trust and meet the expectations of all stakeholders; 2) manage plants and affiliates with competitiveness in QCD (Quality, Cost, Delivery) from a global

standpoint; and 3) establish mass production technologies as manufacturing "mother" functions and contribute to strengthening manufacturing capabilities on a global basis.

In fiscal 2016, the launch of such new models as the Toyota C-HR and LEXUS LC proceeded smoothly and we were able to utilise the know-how gained from our involvement in these projects both in Japan and in other regions. We also firmly strengthened our production capabilities along with an expansion in mass production of such products as motor cores for hybrid systems and separators for fuel cells. Furthermore, we pursued more efficient manufacturing and promoted standardisation to strengthen our manufacturing capabilities and "mother" functions.



Managing Officer
 Group Chief,
 Japan Region Group
Hiroshi Ioki

To develop human resources who will lead our manufacturing in the future we steadily promoted various improvement activities and worked to create a new corporate culture. These efforts are steadily generating notable results, which included winning the QC Circle Kaoru Ishikawa Award for the third consecutive year (refer to page 43) and also winning gold medals (refer to page 48) in the mechatronics category of the National Skills Competition of Japan, marking the first time Toyota Boshoku has earned this award.

■ Toward realising our growth strategies

In fiscal 2017, we will first of all focus more on strengthening quality. In doing so, we will continue efforts begun in 2016 to build a production and supply structure that allows plants to interact with customers on a one-to-one basis and carry out operations entirely within one region. Concurrently, we reorganised each plant and set

up a structure that ensures the independence of quality assurance, with each plant delegated with independent responsibility for its own quality control functions. We have already started operating this new structure at the Sanage Plant, Kariya Plant, Takaoka Plant and Toyohashi Plant. Moreover, we are steadily implementing cost improvements and contributing to raising the Company's profitability.

As "mother" functions, we will promote efforts such as speedily deploying cases of improvement, establishing processes aimed at realising global standards and contributing to increased sales and raising the added value of in-house manufacturing. We will also begin reevaluating our entire Japan region business and rebuilding to attain an optimal production structure and thereby make a major contribution to strengthening competitiveness in Japan and globally.

The Americas

Strengthening our manufacturing foundation and raising competitiveness to lead other regions

■ Goals and issues in fiscal 2017

Prepare a production structure for models in the next period.

Strengthen our design and R&D capabilities and promote and develop excellent human resources.

Strengthen cost competitiveness.

■ Initiatives for fiscal 2016

We recorded an operating profit in The Americas for the first time in eight fiscal terms in fiscal 2015, and in fiscal 2016 our operating income surpassed our initial target. We achieved these results by promoting improvements through the united efforts of the group within The Americas.

Specifically, we made efforts to strengthen our manufacturing foundation that included developing and educating human resources, making improvements at manufacturing sites and reviewing our procurement and ordering methods. For developing human resources, in particular, we promoted future management candidates from within the region and strived to raise the level of mid-level managers. We also focused efforts on safety and quality, which form the foundation of manufacturing, and ambitiously implemented earnest initiatives toward the attainment of our goals. We also proactively engaged in social contribution activities with the aim of being a company that is cherished by the local community.

Through volunteer activities held with the cooperation of our company and its members, we participate in a variety of activities and programmes, such as those that support children, and this is also raising the awareness of members.

■ Toward realising our growth strategies

In fiscal 2017, we will steadily make preparations for a production structure in gearing up for the next vehicle model changes and will work to strengthen our corporate structure and competitiveness. To do so, we will evaluate whether each of our plants within the region possesses truly competitive capabilities. For any variances between the envisioned desired status of each plant and actual circumstances, we will raise the underlying strengths of these plants to eliminate these differences. Moreover, strengthening our design and development capabilities within the region is also a crucial issue for growth. While addressing these issues, we will raise our cost competitiveness as we concentrate efforts on attaining our profit targets.

In the future as well, we will strive to lead other regions and move forward with the aim of being a company that is trusted by customers and the local community.

Executive Managing Officer
Group Chief,
The Americas Region Group
Yoshihiro Ito



Asia & Oceania

Building a manufacturing and logistics structure in preparation for a changing market with intensifying competition and further strengthening our competitiveness

■ Goals and issues in fiscal 2017

Build a manufacturing structure and logistics structure.

Strengthen quality.

Develop human resources.

■ Initiatives for fiscal 2016

Amid sluggish markets in each country, we achieved profits exceeding our targets by repeatedly implementing cost reduction measures within the region. We also focused on re-evaluating logistics, systematically developing local human resources and promoting initiatives for quality control that also included nurturing suppliers. Also during the year, we determined our desired status based on projections for 2020 and started a variety of initiatives toward realising this status. Asia encompasses numerous countries and each country has completely different needs and local conditions. We broke down various issues in Asia according to each country and made decisive responses.

Executive Managing Officer
Group Chief,
Asia & Oceania Region Group
Yasushi Minami

■ Toward realising our growth strategies

In fiscal 2017, the emerging country strategies of automakers are expected to shift significantly and we will proceed with preparations to ensure we can respond accurately to these changes. We will make efforts to firmly establish our brand image so that the name Toyota Boshoku becomes synonymous with seats in the region. This region spans many countries, and so along with implementing region-wide strategies, we will also systematically execute strategies for individual countries in accordance with the circumstances of each country and raise our competitiveness and existential value. Additionally, we will proceed with a review of our logistics network. We plan to build a more agile logistics network by linking our bases in Thailand, Laos and Vietnam, which until now primarily used sea routes, with land-based transportation using the East-West Economic Corridor.

We will also continue to strengthen initiatives for human resources development and quality control. In Australia, a major customer plans to cease its production line and we will respond accordingly with our employees first stance.

China

Developing human resources and raising manufacturing capabilities to prevail in the rapidly evolving world's largest arena

■ Goals and issues in fiscal 2017

Respond to environmental regulations.

Prepare a production structure.

Develop locally hired human resources.

■ Initiatives for fiscal 2016

The market is shifting away from luxury cars and moving toward compact cars due to government policy demands and rising consumer environmental awareness. Although we faced headwinds

in the form of consumer preference for purchasing SUV models, which use few of our products, we were nonetheless able to generate profits that exceeded our initial target.

In China, the volume of automobile shipments and number of vehicles owned is increasing, and along with this, air pollution, energy problems and other issues are becoming severe. In recent

Executive Managing Officer
Group Chief,
China Region Group
Sunao Yamamoto

years, driving, fuel efficiency and environmental regulations for various car models have been implemented. To respond to such increasingly stringent regulations, especially the double credit system consisting of the Corporate Average Fuel Consumption (CAFC) regulations for passenger cars and the New Energy Vehicle Regulation scheduled to be implemented in 2018, we will adopt energy-saving technologies and fuel efficiency improvement technologies in the design and production stages and set up a production structure to respond to the manufacture of low-fuel consumption vehicles. Moreover, we were able to accumulate completely new knowledge, technologies and experience by starting up production of components for premium cars of European automakers.

■ Toward realising our growth strategies

From 2017, we have been focusing on production preparations for the launch of new vehicle models. In fulfilling our responsibilities as an interior system supplier, we will reliably carry out production preparations and quality control that encompasses our suppliers. Also, we will continue proactive efforts for the development and firm positioning of locally hired members and management-level members and link these initiatives to the strengthening of our corporate structure. In this harsh region, which is the world's largest market and crowded with components manufacturers, we will respond decisively to market changes and accelerate efforts to strengthen our business foundation to ensure we can prevail in this market.

Europe & Africa

Business sites spread across a wide area promoting mutual trust and combining their strengths with the aim of being No. 1

■ Goals and issues in fiscal 2017

Place thorough emphasis on basic requirements for plants.

Strengthen our production engineering/production capabilities.

Reduce costs.

■ Initiatives for fiscal 2016

We achieved profitability for the first time in nine terms since 2007. Besides the liquidation of our unprofitable automobile interior components business in Europe, we attained these results mainly because the hard work of local members in the three countries of South Africa, Turkey and Poland bore fruit with the support of Japan, which enabled the smooth launch of new models. At the same time, we are actively promoting local human resources. As a prime example, in South Africa we are proactively undertaking improvement activities at our plant that are being led mainly by a recently locally hired vice president. These activities are steadily yielding positive results.

Also, we will make further improvements to the efficient logistics routes among our bases that are spread across a wide area while strengthening quality at each base and promoting local procurement.



Managing Officer
Group Chief,
Europe & Africa Region Group
Hirokazu Kamenno

■ Toward realising our growth strategies

In fiscal 2017, we will promote a variety of initiatives in accordance with our action plan to further strengthen our foundation. These include thoroughly executing basic requirements at plants, working to strengthen our production engineering/production capabilities, improving our manufacturing capabilities and undertaking business operational reforms utilising information systems. We will also work to create an environment in which plants can learn from each other by building a structure for cooperation among our plants that are spread across several countries and deploying improvement activities through a "shop-by-shop" approach based on the Quality Function Meeting and similar types of process classifications.

Going forward, we will enhance cost competitiveness in manufacturing that also includes procurement and build a strong foundation that can withstand any changes in the environment in the European market, including the UK's withdrawal from the EU. Through these measures, we will contribute to improving the earnings of the Toyota Boshoku group.

Reforestation Activities in Inner Mongolia

The Toyota Boshoku group is working on its "Challenge of planting 1.32 million trees" as part of the 2050 Environmental Vision and 6 Stretch Environmental Goals formulated in 2016. In order to achieve this objective, we are undertaking reforestation activities befitting each region. Here, we introduce the reforestation activities spearheaded by Toyota Boshoku (China) (TBCH) being conducted in conjunction with all business entities and suppliers in the region.

Overview of activities

Desertification caused by rapid population growth and overgrazing of farm animals has become a serious issue in China. With a real sense of crisis being shown by the Chinese government, TBCH has been tackling reforestation activities since 2013 in the Tengger Desert of Inner Mongolia, which is one of the most elevated deserts in China and has a major impact on the environment. The programme is being handled with the cooperation of China Green Foundation and aims to prevent desertification in China. Over the four-year period to 2016, approximately 20,000 saplings have already been planted on 10 hectares of desert. The activities were initiated based on the concepts of fostering unity between business entities in the China region and becoming a company central to the community through on-going social contribution that also leads to increased environmental awareness among company members. The number of people participating has increased annually along with the number of trees

planted. In 2017, donations were collected from company members and local citizens to help conduct a tree-planting programme that was initiated to celebrate the 15th anniversary of TBCH.

5th TBCH Group Reforestation Activities

Event date: May 12-14, 2017

Location: Alxa Left Banner, Inner Mongolia Autonomous Region, China

Number of trees planted: Approx. 500

Number of participants: 60 (from 16 business entities in China, including TBCH, as well as persons from suppliers and affiliates)

Features of reforestation in Inner Mongolia

Prior to planting the trees, it was necessary to secure the sand, but this had to be done under adverse conditions. On top of a lack of water, the wind is always very strong and a metre of sand is stripped away every year. Introducing a system to check tree growth using GPS has increased the motivation of participants.

Trees being planted

Haloxylon ammodendron

This tree species is native to the area and highly resistant to the dry climate to the point that the trees only have to be watered eight times in three years. The evergreen shrubs grow to a height between one and four metres and produce small yellow flowers in June and July.



Participants in reforestation activities

Start of tree-planting activities



Learn about conditions in Inner Mongolia and the effects of reforestation



Climb a steep slope and head to the planting area on top of a hill



Prior to planting, participants feel unsure about whether the trees will grow properly, especially as the sand flies around in the wind



Transport the dry grass used to secure the sand



Dig a ditch to put the dry grass in. This is harder than one would imagine

End of all tree-planting work



At the end, names plates are left to show who planted the trees



The earth is patted down with hands and feet so the sand in which the trees are planted doesn't blow away



A hole measuring around 30cm is dug and a young tree inserted



1m square barriers are built and the morning's work is complete

2050 Environmental Vision [6 Stretch Environmental Goals]



6

Challenge of planting 1.32 million trees as part of reforestation activities

Around 13 million hectares of forest are lost every year worldwide, which is equivalent to approximately one-third of Japan's land mass. The Toyota Boshoku group will take on the challenge of "planting 1.32 million trees as part of reforestation activities" to contribute to the protection of forests and the restoration of habitats of endemic species.

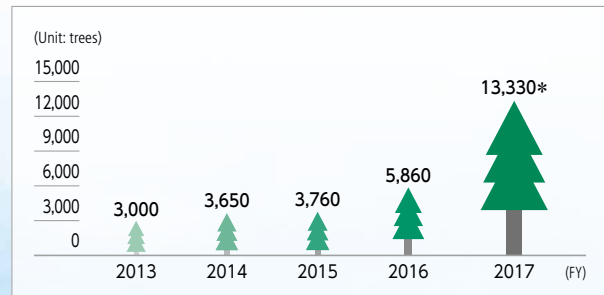
Tree planting in 2013



Four years after the trees were planted, you can see that the roots are firmly entrenched in the desert floor and the trees have started to grow.



Number of trees planted in Inner Mongolia



*Includes planting plans for the current fiscal year



Executive Director
Non-Profit Organization International
Desert's Green Association
Xiangrong Wu
Advisor to TBCH reforestation activities

Tree planting is not easy in the desert. The effects of such activities take three years to materialise and it will be at least 10 years before there is any stability in the natural cycle. Even though TBCH's activities have just begun, the number of participants is increasing each year and the programme has become indispensable to the local community. Please keep working on this initiative as a group as it contributes to the improvement in China's environment.



Director, Vice President
Guangzhou Automobile Group
Component Co., Ltd.
Hanqing Gong
Business partner in China
Second year in a row participating

I really resonate with TBCH's activities and the efforts concerning environmental initiatives being made in the past few years within the company. I have taken part in the reforestation activities since last year, and I got a good feel for the significance of the activities when I actually started to lend a hand. I think the project has further enhanced the environmental awareness of employees and another 10 people took part this year after I invited them. The importance of the activities has been shared throughout our corporate group through an internal newsletter and I hope to continue helping out going forward.



Kunshan Toyota Boshoku
Automotive Parts
Huizhen Yan

The experience has been invaluable for me. In addition to learning about desertification through *genchi-genbutsu* (Go, see and study) and contributing to society, I learned the importance of teamwork and deepened my ties with people throughout the TBCH group. I intend to tell all of my colleagues about the experience so we can share our thoughts on how to prevent desertification.

Global tree-planting activities

The Toyota Boshoku group has conducted tree-planting activities in line with local needs in conjunction with government, outside organisations and NPOs. This year we will formulate global tree-



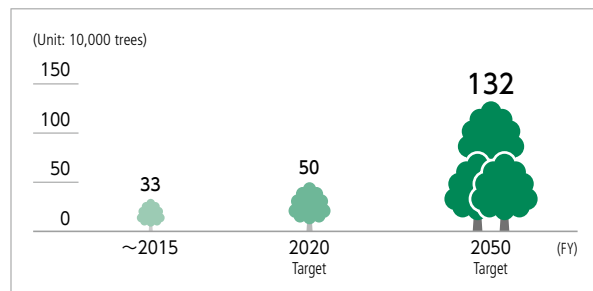
Planting trees in a wildlife preserve
Plans to continue for five years
(Toyota Boshoku Siam Metal, Thailand)



Tree-planting activities in the Kashimo "Eco-Forest"
Continued since 2008
(Toyota Boshoku, Japan)

planting plans, and based on these plans, we will first plant trees with a view to achieving the targets of our 2020 plan and look to the "Challenge of planting 1.32 million trees" under our 2050 Vision (refer to page 65).

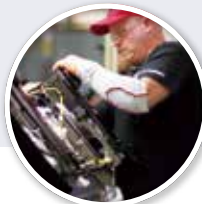
Toyota Boshoku group tree-planting targets to 2050



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

Based on the Principles of Toyoda, which encapsulate the ideas of founder Sakichi Toyoda, the Toyota Boshoku group formulated our corporate philosophy for maintaining the trust of all stakeholders, and this has underpinned our operations over the years. In fiscal 2016, we reconsidered all of our business, social and environmental activities from a corporate social responsibility (CSR) perspective and began incorporating these initiatives into the Mid-term Business Plan for Implementation 2020.

We aim to enhance economic value by pursuing sustainable growth, the kind of growth we strive for, and will return the benefits we gain to our stakeholders. At the same time, we seek to enhance our corporate value on a mid-to-long term basis, meet the expectations of our stakeholders and contribute to the advancement of society through investment in sustainable growth.



Basic policy

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

We also formulated and are sharing the TB Way and the Toyota Boshoku group code of conduct as common values and behaviour globally in order to ensure the proper implementation of our corporate philosophy.

Promotion system

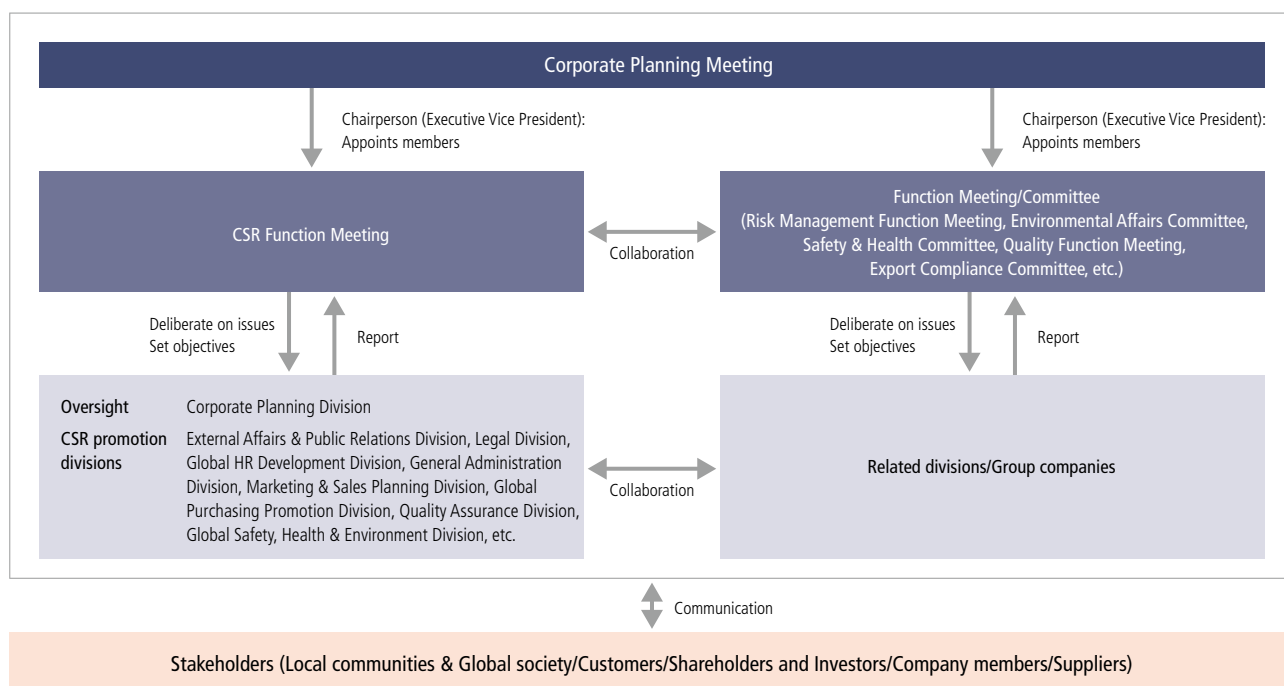
The Toyota Boshoku group, led by the Corporate Planning Division with company-wide oversight, has promoted CSR activities since April 2016. Efforts revolve around advancing business and our CSR activities as a unified concept with the aim of ensuring a responsible management style focused on the environment,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

The CSR Function Meeting (chaired by the Executive Vice President, Head of the Corporate Operation Unit) deliberates on the

issues at hand, formulates objectives and follows up on activities.

Key performance indicators (KPIs) are set for each initiative based on the corporate philosophy in order to objectively evaluate contribution to society, and a plan-do-check-act (PDCA) cycle is set in motion to ensure the most effective CSR activities. In addition, functional departments and other relevant departments join forces to promote daily activities as part of the entire group’s CSR management. (See pages 35 and 36 for details of activities).

Promotion system



Initiatives for the SDGs

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

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



Logos for the SDGs

Future initiatives

The Toyota Boshoku group aims to resolve social issues through its business activities with a view to achieving its Mid-term Business Plan for Implementation 2020. As part of our efforts, we place importance on communication with stakeholders so that we can respond to the needs of society. We also work to establish a

























structure that focuses in more detail on the environment, society and governance and to enhance our CSR management throughout the group based on respective regulations and guidelines.

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

KPIs for Fiscal 2016 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 enhancement of corporate value.

(Assessment ○: Achieved △: Target achievement rate 75% to <100% ×: Not achieved)

Basic policy			Evaluation items for KPI	Targets	FY2016 results	Evaluation	Initiatives for FY2017	Pages	
Local communities & global society	The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen.	Maintain ethical values, ensuring that our corporate activities are fair and transparent	Compliance 	Implementation level for Guiding Principles	100%	76%		Continue to provide education that includes planning for e-Learning courses and training on legal themes, and increase awareness by regularly inputting pertinent text on the computer's startup screen	38
			Confidentiality management 	Number of confidential information leaks	0	0		0	40
				Understanding level for confidentiality management rules	100%	98%		Make rules widely known through e-Learning and conduct audits on the status of compliance with rules	40
			Compliance with laws and regulations 	Number of bribery violations	0	0		0	39
			Return profits to society 	Sustainable tax payment to local or national authorities by achievement of financial KPI	FY2020 target: operating profit of 5% or more	Operating profit: 5.3%		Operating profit: 4.6%*1	4
	Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment	Environmental conservation 	Number of environmental abnormalities and complaints*2	0	0		0	67	
			Ratio of CO ₂ reduction with basic unit (t-CO ₂ /1,000 units)	Reduce 7% vs FY2010 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 2%/year)	Reduce 8.3% vs FY2010 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 3.5%/year)		Reduce 9% vs FY2010 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 2%/year)	63	
			Ratio of waste reduction with basic unit (t/1,000 units)	Reduce 6% vs FY2010 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 1%/year)	Reduce 27.9% vs FY2010 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 24%/year)		Reduce 7% vs FY2010 (base year) (Single year target based on 2020 Environmental Action Plan: reduce 1%/year)	64	
	Create a better society as a member of our local communities	Social contribution 	Number of volunteer activity participants	Total number: 7,200	Total number: 7,293		Total number: 7,200	53 54	
	Customers	The Company will develop innovative technologies and products to deliver quality that satisfies our customers.	Customers first 	Number of prize-winning technology awards	More than one customer award	Toyota Auto Body Co., Ltd.: 2 awards Other - Society of Automotive Engineers of Japan (JSAE): 2 awards		More than one customer award	43
	Shareholders	The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.	Disclosing information in a timely and appropriate manner 	Abidance to timely and appropriate disclosure	Abidance: 100%	Abidance: 100%		Abidance: 100%	44
				Improve English disclosure	Financial information: 20% up	Financial information: 20% up		Maintain	44
				Number of dialogues with investors (financial briefing, plant tour, facility tour)	5 times/year	5 times/year		Improve investor satisfaction Positive response rate: Achieve 70%	44
Provide impartial information to institutional and individual investors				5 times/year	5 times/year		44		
Return profits to shareholders 			Sustainable capitalisation by delivery of dividends	FY2020 target: Dividend payout ratio 30%	Dividend payout ratio: 20.5% (Annual dividend: 50 yen)		Dividend payout ratio: 24.4%*1 (Annual dividend: 50 yen)	44	

 Governance  Social  Environment

*1 Forecasts were made when financial results were announced in March 2017.

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

(Assessment ○: Achieved △: Target achievement rate 75% to <100% ×: Not achieved)

Basic policy		Evaluation items for KPI	Targets	FY2016 results	Evaluation	Initiatives for FY2017	Pages
Company members	Respect for company members S	Number of female managers	17	16	△	Formulate individualised plans to foster female candidates for managerial positions and follow up with each person	—
		Designated employment rates of persons with disabilities	2.00% (as of April 2016: 1.98%)	2.04% (as of April 2017)	○	Maintain 2.00%	47
		Company members satisfaction level	Positive response rate: Achieve 70%	Positive response rate: Achieved 68%	△	Promote innovation of vibrant work styles such as through a review of work styles and development of a system to maximise capabilities	—
		Company members turnover rate of less than 3 years of joining the company	3% (13 persons)/year (Average of 19 persons over past three years)	2.7% (11 persons)	○	2.5% (approx. 10 persons)	—
		Rate of taking annual paid leave	80% (approx. 16 days) (Average of 75% over past three years)	92.2% (18.1 days)	○	Zero incidence of people taking minimal paid leave Zero incidence of people not taking 3-day weekend holidays	—
	Safety/Health S	Number of fatal accidents	0	0	○	0	49
		Implementation ratio for chemical risk assessment	100% completion	100% completion	○	— (Already completed)	49
		Consultation ratio for legal health check/Voluntary health check	100% consultation ratio for health checks in Japan region	99.9% consultation ratio for health checks	△	Continue follow up in healthcare rooms and in the workplace	50
		Implementation ratio for legal health check/Voluntary health check	100% implementation ratio for health checks in regions outside Japan	100% implementation ratio for health checks	○	Maintain 100% consultation ratio for health checks in regions outside Japan	50
		Lifestyle disease: Ratio of persons with BMI of 25 or above	Target person ratio: 23.8% or less	Target person ratio: 26.3%	△	Continue conducting seminars on lifestyle-related diseases and jointly providing specific health-related instruction	50
		Lifestyle disease: Smoking rate	35.5% or less	34.9%	○	34.4% or less	50
		Stress check execution rate	100%	100%	○	100%	50
Suppliers	Fair/transparent dealings GSE	Purchasing policy shared with suppliers	Deploy at Supplier Meeting (1/year)	Completed by May 2016	○	Hold briefing on Toyota Boshoku Supplier CSR Guidelines once a year	51
		Revision of Green Purchasing Guidelines	Completed by March, 2017	Issued by June, 2017	△	Ensure suppliers conduct self-assessment once a year Aim for a questionnaire response rate of at least 95%	51
		Subcontract laws	No deficiencies	No deficiencies	○	Supplier satisfaction (incorporate suppliers' opinions) Cases of dishonest whistle-blowing: 0	51
		Promotion of Environmental Activity with suppliers	ISO14001 updated 100%	ISO14001 updated 100%	○	Conduct a self-check and internal audit on purchasing ethics inside Toyota Boshoku (departments related to purchasing and subcontracting) once a year Cases of serious breach: 0	51
		Grow with suppliers	Questionnaire : Positive response of at least 80%	Questionnaire : Positive response of more than 80%	○		
		Number of violations of antitrust laws	0	0	○	0	39
	Safety/Health S	Number of significant incidents by non-Toyota Boshoku group workers or members	0	0	○	0	49
The Company will build and maintain positive labour-management relations, respect the individuality of its company members and create safe and comfortable workplaces.							
The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.							

Together with Local Communities & Global Society

The Toyota Boshoku group will strive to strengthen corporate governance, ensure thorough compliance, reinforce risk management and contribute to society with the aim of realising company growth while cultivating corporate citizenship to meet the expectations and earn the confidence of all shareholders.

Fundamentals of social activities

The Toyota Boshoku group fulfils its social responsibility by conducting corporate activities based on the TB Way and the Toyota Boshoku group code of conduct, which express the values and behavioural principles shared throughout the group in line with the corporate philosophy of group management. We designate such matters as accountability,

transparency, ethical behaviour, respect for stakeholders' interests, respect for the rule of law, respect for international codes of conduct and respect for human rights as the fundamentals of CSR activities. On this basis, measures are taken to enhance CSR through various definable aspects of corporate activities.

Corporate governance

The Toyota Boshoku group has stated as the first part of its corporate philosophy the desire to promote corporate growth while fulfilling our responsibilities as a good corporate citizen in order to satisfy all stakeholders. To realise this, the Company recognises the importance of maintaining and improving management efficiency, fairness and transparency as a global company alongside efforts to ensure sustainable corporate activities and will strive to expand and enhance its corporate governance.

Specifically, the Company will advance the following: (1) Securing the rights and equal treatment of shareholders; (2) Appropriate cooperation with stakeholders other than shareholders; (3) Ensuring appropriate information disclosure and transparency; (4) Appropriate execution of the roles and responsibilities of the Board of Directors; and

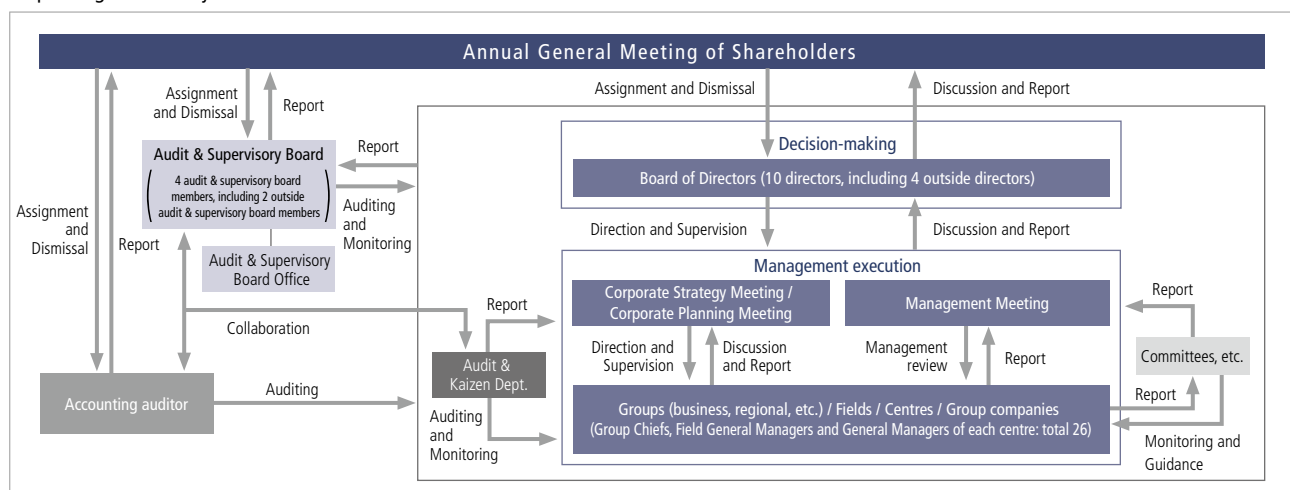
(5) Engaging in constructive dialogue with shareholders.

Corporate governance system

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

The Board of Directors holds meetings at least once a month to decide on important management issues in such areas as legal matters, policies for the fiscal year, project plans and investment in facilities, while also monitoring conditions related to the implementation of operations. In fiscal 2016, the Company selected three independent outside directors with extensive experience and the ability to contribute to sustainable growth and enhanced corporate value over the medium and long term. In fiscal 2017, although we increased the number of independent outside directors

Corporate governance system



(Revised June 2017)

by one, we also reduced the number of directors by two in an effort to streamline the structure. This will mean that four of the 10 directors are independent outside directors, which is expected to further enhance objectivity in monitoring management.

Rate of attendance by independent outside directors at Board of Directors meetings

Fiscal year	2015	2016
Attendance rate (%)	96	91

The effectiveness of the Board of Directors in fiscal 2016 was analysed and evaluated in the following manner through interviews with all directors and audit & supervisory board members, including outside members, conducted by corporate officers in charge of the administrative office of the Board of Directors.

Evaluation results of the effectiveness of the Board of Directors

- Important management decision-making was handled effectively and duties were performed effectively
- Number of directors, including multiple outside directors, as well as structure were generally appropriate
- Necessary subjects were discussed and reported, oversight and decision-making were conducted in a timely and appropriate manner based on an exchange of opinions, and operations were running appropriately

Toyota Boshoku will work to enhance the effectiveness of the Board of Directors by thoroughly reviewing measures to address issues such as the appointment of outside corporate officers with a focus on streamlining and diversity.

We have established a system for remuneration and bonuses for directors, management and executives that is closely linked to

corporate performance on the whole and reflects work responsibility and results. Based on this policy, the chairman and president review remuneration and bonuses and discuss the content via hearings that include outside directors and outside audit & supervisory board members before proposals and resolutions are submitted to the Board of Directors.

Further, a four-person structure that includes two outside audit & supervisory board members with extensive experience and insight in areas of specialty conduct audit hearings and visiting audits to each division as well as audit the execution of operations of directors and the administration and the status of financial affairs of the group's subsidiaries.

Attendance rate of outside Audit & Supervisory Board Members at Board of Directors meetings and Audit & Supervisory Board meetings

Fiscal year	2014	2015	2016
Attendance rate at Board of Directors meetings (%)	74	95	92
Attendance rate at Audit & Supervisory Board meetings (%)	77	97	92

Development and operation of internal control system

Self-inspections are conducted on the status of internal controls via a checklist in order to regularly review and assess organisational governance processes, and the respective internal auditing departments are working to prevent inappropriate behaviour and mistakes at all our global locations by conducting audits at Toyota Boshoku divisions, plants, subsidiaries and affiliates.

Compliance

The Toyota Boshoku group states in its corporate philosophy that the Company will seek to promote corporate growth while fulfilling our responsibilities as a good corporate citizen.

Thorough compliance awareness and system creation

The Toyota Boshoku group 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 based on a global policy. Additionally, the Company continuously convenes meetings with Regional Management & Collaboration Hubs (RM&CH) to enhance cooperation and thereby improve and strengthen compliance activities globally.

From fiscal 2015, the Global Legal Conference has been held regularly and personnel in charge of legal affairs in each region shared knowledge of issues. This served to promote mutual understanding and deepen cooperation between regions as well as reinforce the implementation of global compliance activities.

[Education and awareness raising]

Toyota Boshoku has held training for compliance that includes such core topics as antitrust laws and anti-bribery and is also working to ensure that all company members, including new hires and members who were promoted, can acquire the necessary knowledge regarding compliance. In fiscal 2016, the Toyota Boshoku group Guiding Principles was used as educational material in a back to basics programme aimed at enhancing awareness of compliance. Personnel in charge of legal affairs from the Legal Division at Toyota Boshoku and RM&CH conducted workshops in consideration of the conditions of each country and each region.

[Initiatives regarding Corporate Ethics Month]

Every year, the Toyota Boshoku group holds Toyota Boshoku group Corporate Ethics Month on a global basis with full participation by members. During

Number of participants in workplace discussions

FY2016 result

38,568 persons

this month, efforts are made to enhance ethics awareness through various initiatives such as confirming our corporate philosophy and reviewing members' behaviour internally and externally.



Corporate Ethics Month (China)

In fiscal 2016, we conducted inspections related to the status of compliance with the Toyota Boshoku group Guiding Principles and workplace discussions under the theme of confirming compliance in the workplace.

[Considerations for human rights]

Measures regarding basic matters such as respect for human rights have become essential in conjunction with global business activities. At the Toyota Boshoku group, we are working to raise members' awareness through various training related to our corporate philosophy and monthly activities in order to ensure compliance with laws and regulations as well as co-existence with local communities by respecting various cultures, values and individuality.

[Global development of List of Legal Risk]

The Toyota Boshoku group is clarifying legal risks with regard to specific legal matters that need to be complied with as they relate to the various activities of the group. Based on this, efforts are being made to review and evaluate legal matters, correct areas of inadequacy and enhance compliance. In fiscal 2016, the Company, led by RM&CH, worked to enhance the List of Legal Risk regarding the areas of antitrust laws and anti-bribery.

[Enhancing consultation and whistle-blowing system]

The Anything Goes Counseling Office has been set up internally as well as a reporting contact at a designated law firm externally to establish an environment in which members from group companies in Japan can easily seek advice without fear of reprisal. Members can seek consultation or report issues concerning such matters as workplace problems, legal violations and internal misconduct. Initiatives are also being pursued to establish a whistle-blowing system in regions outside Japan in order to develop a global system.

■ Compliance with laws and regulations and awareness raising

The Toyota Boshoku group globally promotes training on laws and regulations and awareness-raising activities in order to thoroughly

comply with laws and regulations related to our businesses.

[Thoroughgoing compliance with antitrust laws]

Toyota Boshoku established the Company Policy on Antitrust Law, in which we clearly declared that the Company will not tolerate any behaviour violating antitrust laws and company members will not commit any violations, with this declaration being shared globally.

Toyota Boshoku formulated a compliance manual and conducts training globally that includes an Executive Legal Seminar and training for relevant departments while related internal rules have also been created at each site. The Company is therefore deepening understanding of its stance toward antitrust laws, which includes verifying operating conditions, and of cautionary points in conducting business operations. In addition, the Antitrust Law Compliance Rules were established mainly to regulate information exchange with competitors and this forms part of a structure to prevent infringements.

[Comprehensive efforts toward anti-bribery]

The Toyota Boshoku group is making efforts to increase understanding of regulations in respective countries related to preventing corruption such as bribery and is establishing a framework for compliance. The compliance status of the Anti-bribery Guideline was inspected globally and the necessary corrections made.

[Thoroughgoing export control]

The Toyota Boshoku group promotes activities in line with the Export Compliance Programme (Export CP) in order to appropriately implement security export control aimed at maintaining international peace and safety. This includes making decisions on whether or not products and machinery equipment exported overseas, and technological information such as technical drawings and production technology supplied outside Japan, comply with laws and regulations related to safe and secure exporting.

■ Intellectual property management

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

[Aiming to strengthen patent application system]

The Toyota Boshoku group promotes initiatives to increase the

number of patent applications befitting the scale of business as well as their quality. In



this respect, we are working to boost motivation toward the creation of inventions as well as vitalise application activities through managing targets for the number of patent applications by each technical division, in-house training and the patent compensation system, as well as patent application support activities from the intellectual property department. We also assign people to promote patents and provide specialised education with the aim of enhancing our intellectual property capabilities.

In fiscal 2017, the aim is to utilise knowledge based on patent information to contribute to the development division through such means as providing information that can be used as reference when making decisions on the direction of advanced development themes and proposing development themes.

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 seek optimal systems and frameworks for managing confidential information in order to pursue sound corporate activities.

[Strengthening organisation for security and enhancing basic conduct]

The Toyota Boshoku group 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 who can 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, RM&CH undertook self-inspections using confidentiality management standards that match the characteristics of each region and we deployed in sequence measures to resolve weak points at each site within a region.

In fiscal 2016, we provided e-learning for all members in addition to holding confidentiality management seminars for personnel responsible for confidentiality management and personnel in charge of confidentiality management within each division.

Thorough reinforcement of risk management

The Toyota Boshoku group is working to comprehensively reinforce risk management via the creation of an effective risk management system in order to respond swiftly to management risk, risk in daily operations and other risks such as disasters and accidents and reputation*.

*Risk of losing societal trust

Basic risk management policy

- 1 Endeavour to predict and prevent crises
- 2 Give maximum priority to assuring the safety of human life should a crisis occur
- 3 Should a crisis occur, centralise information and promptly investigate the cause, respond appropriately and minimise damage
- 4 In case of significant social damage or impact, release information promptly in good faith

Risk management system

In the Toyota Boshoku group, respective functional divisions promote initiatives to prevent and reduce various risks. Although

the CSR Committee has evaluated risk management and conducted follow-up, in fiscal 2016 the newly established Risk Management Function Meeting was split off in order to further strengthen risk management company-wide, prevent various risks and minimise damage.

[Improving BCP]

Within our business continuity plan (BCP), such major risk is perceived as significant damage to processes from a large-scale natural disaster, problems with the supply chain due to disaster and a major accident at our plants, and we are working to implement decisive countermeasures. We have set up risk measures for indispensable processes to mitigate the risk of natural disaster; enhanced and expanded supply chain information and clarified alternate production to mitigate the risk of damages in the supply chain; and introduced countermeasures to prevent recurrence of explosions or fire and conduct highly realistic evacuation and recovery drills to mitigate the risk of a major accident at our plants.

Together with Customers

To become a supplier which is trusted and chosen by customers, we will strive to foster a “customer first” quality-oriented corporate culture, while working on improving business quality through the utmost efforts by all members to implement what they are supposed to do.

We always try to take the customer’s perspective and standpoint so that we can provide attractive products that inspire.

Establish global quality assurance system

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

■ Organisational reform that maintains the independence of quality

In order to maintain independence and an advantage in our quality control testing function, the Toyota Boshoku group has set up a quality assurance framework in which production, quality control and engineering are dealt with from an independent standpoint. In fiscal 2017, the framework will be introduced to Toyota Boshoku in-house production plants. We also plan to deploy it to Japan affiliates and regions outside Japan.

■ Ensuring quality for core components/projects

It is important to guarantee the quality of core components in order to drive sustainable growth toward 2020. In fiscal 2017, we will further establish our quality assurance framework and enhance quality in response to a customer’s plan to launch production of its main vehicle models in The Americas.

■ Establish a framework for quality assurance/market claims analytical system in line with business integration

A decision to integrate the seat frame components business* with Aisin Seiki Co., Ltd. and Shiroki Corporation has led to the acceptance of staff and equipment related to development and production. In response to this, we intend to rebuild our quality assurance framework for seat frame components and enhance our framework and tools for analysing market claims.

* The development and production functions for mechanical seat frame components provided to Toyota Motor Corporation and Toyota Boshoku that are held by Aisin Seiki Co., Ltd. and Shiroki Corporation will be transferred to Toyota Boshoku in a step-wise manner.

Creating foundations and standardisation for operational quality to realise sustainable growth

As part of our Annual Global Policy for fiscal 2017, the Toyota Boshoku group has set the goals of strengthening our development capabilities and strengthening our production engineering/production capabilities, and is seeking to further solidify our business footing. In particular, we view as important the creation of systems for work and human resources development to enhance our development framework. With this in mind, we are reviewing work styles to support future sustainable growth and building systems for work standardisation and self-assessment as a means to raise operational quality.

■ Enhancing the quality of technical drawings through front loading

The Toyota Boshoku group is striving to prevent issues in quality by eliminating problems that can be envisioned in each division from

the earliest stage of product development, which involves gathering together members from respective divisions, including design, production technology, quality assurance and production, and factoring the findings into design. We are collecting, analysing and evaluating information on market claims related to existing products in an effort to create a system of feedback to each division.

■ Strengthening daily management through fundamental requirements for plants and shop-based activities*¹

The Toyota Boshoku group has distributed a set of fundamental requirements to all plants globally that clarify management’s desired status, mission and control indicators in a bid to standardise plant operations. Also, we are working to reinforce daily management at manufacturing sites by bolstering activities in each shop.

*¹ Activities focused on each process

■ Establish infrastructure for timely information disclosure and countermeasures

With the aim of strengthening quality, we are establishing infrastructure for the Internet of Things (IoT) in our plants globally. We will improve AQUILES*² (management system for products with defects delivered) and accelerate development of a system for managing defects found in a process and a system for managing proposals for conditions for good quality so that we can disclose information on defects with customers, in-house and suppliers in a

timely manner and deal with any issues that may arise.

*² All TB Quality Information Leading System

■ Creating a quality assurance framework for new business orders

Risk related to quality is more likely to occur with new business orders; therefore, we clarify roles and responsibility from orders to production, delivery and after-sales service through a business council and order strategy meeting.

Providing products with quality that inspire and excite

The Toyota Boshoku group aims to provide attractive products designed from the customer's perspective and standpoint, thereby inspiring and exciting customers.

■ Enhancing quality for customers

In order to enhance quality for customers, we are aiming to establish an independent method of evaluating quality that enables a clear assessment of product appeal. Also, we will introduce

methods to improve quality and work to elevate product appeal and user-friendliness so that we can launch products to market more smoothly. At the same time, we will incorporate the improvement methods gained in our assessments into new product development. We are currently striving to develop all-new attractive products such as relaxing passenger seats with a view to automated driving and create a car interior space that inspires.

Initiatives to increase quality

Toyota Boshoku Kyushu is dedicated to ensuring the highest quality and is implementing activities to improve quality with the aim of eliminating the recurrence of past defects as well as the occurrence of new defects. In fiscal 2016, the company identified latent defects by auditing each process and implemented countermeasures while also entrenching a sense of professionalism as a seat production plant for the LEXUS. All company members worked in unison to increase quality in order to provide reassurance to customers. This resulted in zero defects in products delivered in fiscal 2016, culminating in the Outstanding Quality Award from Toyota Motor Kyushu, Inc.



Quality debriefing sessions held across seven occasions

Efforts to increase quality that exceed customer expectations

The Toyota Boshoku group conducts education, training and awareness-raising activities related to quality in order to ensure quality that exceeds customer expectations.

■ Reinforcement and entrenching of TQM activities

The Toyota Boshoku group aims to win the Deming Prize*¹ by 2021. This prize is given for outstanding quality control initiatives and is proof that a supplier is trusted and chosen by customers. In order to achieve this goal, first we are working to further improve Total Quality Management (TQM) activities and are striving to raise our competency with the objective of earning the TQM Encouragement Award in 2018.

Toyota Boshoku group Quality Control (QC) Circle activities were awarded the QC Circle Kaoru Ishikawa Award Honourable Mention for the third successive year in 2017 in recognition of steady quality-related efforts. We are taking steps to attain the highest Kaoru Ishikawa Award by 2020.

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

■ Fostering quality-oriented corporate culture and human resources development

As part of TQM activities, the Toyota Boshoku group conducts QC Circle activities for members with technical skills and Statistical Quality Control (SQC) activities for members with administrative and

engineering skills.

We plan to convene the All Toyota Boshoku TQM Meeting for the first time in fiscal 2017 as the culmination of our TQM activities with the aims of fostering a customer first quality-oriented corporate culture while working to improve operational quality by permeating our basic philosophy of TQM. Members with administrative and engineering skills work on activities to resolve issues outside of SQC techniques, which is heightening knowledge and capabilities related to quality.

In November 2016, we launched the Global Quality Learning Center (GQLC) using the activities of other companies as a reference, as a place for learning the importance of quality first from the customer's perspective based on past failures. The center was upgraded and innovated in fiscal 2017. It displays areas we ought to learn from using cases from other companies in terms of the impact of a product recall on component and material manufacturers, such as a system to identify the cause of a defect behind a product recall and making preparations to mitigate risk, including insurance. Up to 95% of Toyota Boshoku's company members have visited the center

already and the knowledge gained is being taken back to workplaces to help enhance quality awareness.



Opening ceremony for GQLC

Won the QC Circle Kaoru Ishikawa Award Honourable Mention

Toyota Boshoku won the QC Circle Kaoru Ishikawa Award Honourable Mention run by the Union of Japanese Scientists and Engineers (JUSE) in fiscal 2016 for the Fujisusono Manufacturing Division's "Eleven Circle" activities to establish a workplace that is not susceptible to changes in the environment and in fiscal 2017 for TB Logistics Service's "Ham Star Planning Circle" activities to turn the sales office with the worst fuel efficiency into the site with the most eco-friendly driving.

This is a prize only awarded to around 40 of 2,000 or so entries concerning cases of improvement announced during the year. This is the third consecutive year for a member of the Toyota Boshoku group win the award.



Award ceremony for "11 Circle"



TB Logistics Service received the award in fiscal 2017.

Together with Shareholders and Investors

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

Enhancement of corporate value and reinforcement of information disclosure

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

■ Distribution of profits to shareholders

Business results for fiscal 2016 are shown on pages 71 and 72.

In continuing to place priority on providing shareholders with long-term stable dividends, annual cash dividends of 50 yen per share were paid for the current fiscal year.

We will aim to gradually increase the dividend payout ratio to 30% by fiscal 2020.

■ Briefings for shareholders and investors

The Toyota Boshoku group regularly holds results briefings with the Company president and executive officers in order to aid analysts and institutional investors in understanding Toyota Boshoku’s financial situation and business strategies. In addition to interim and year-end briefings, we have also been holding briefings in the first and third quarters since fiscal 2016. Moreover, we are actively pursuing communication with shareholders and investors through various occasions,



IR result briefings (Tokyo)

including individual meetings with management as part of conferences for institutional investors and corporate information sessions for individual investors.

In addition, we held tours of plants and facilities outside Japan with the aim of furthering understanding of the Toyota Boshoku group’s business activities among investors.

■ Ordinary General Meeting of Shareholders and plant tours for shareholders

Some 338 shareholders attended the 91st Ordinary General Meeting of Shareholders for fiscal 2016. In addition, we hold tours of our plants and facilities to deepen understanding of the Toyota Boshoku group among shareholders. We showed around 74 people the processes for seats, door trim and other products and maintenance



Plant tours for shareholders (Technical Skills Training Centre)

and development site for young members at our Sanage Plant and Technical Skills Training Centre on the day of the Annual General Meeting of Shareholders.

■ Disseminating information through our website

The Toyota Boshoku group posts important information in a timely manner on our website including an introduction of our business, press releases and financial results briefing materials.

We also started posting videos (Japanese and English) of interim and year-end financial briefings in fiscal 2016. In addition, we are working to enhance our information disclosure items in English on our global website (<https://www.toyota-boshoku.com/global/>) as a means to further deepen understanding of the Toyota Boshoku group among shareholders and investors worldwide, which includes releasing an English version of Notice of the Ordinary General Meeting of Shareholders (Summary) and enhancing financial information.

Together with Company Members

As stated in our Vision, Toyota Boshoku's ideal status is to have "resourceful and multi-talented human resources drawn by the appeal of the Toyota Boshoku group, with members working enthusiastically in all regions worldwide."

Realising our desired status of being "full of vibrancy"

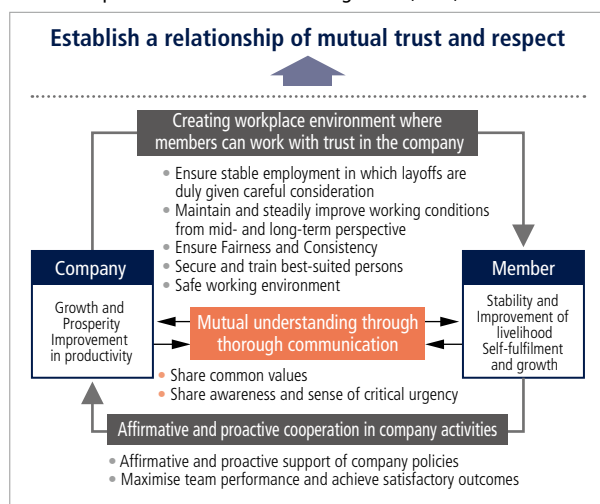
Based on respect for human rights and relations of mutual trust and responsibility between labour and management, the Toyota Boshoku group aims to have all company members working in different countries and regions feel like they are "One Team," work with pride and dreams, enjoy work and like coming to the workplace. In other words, we aim to realise a workplace that is "full of vibrancy," as stated in our Vision. To achieve this, three elements are indispensable: (1) individual motivation and decisions are respected; (2) one can feel a sense of achievement and development through work; and (3) mental and physical health is maintained. We would like to establish conditions like this and foster a corporate culture

that encourages company members to boldly take on challenges and create innovation.

■ Full respect for human rights

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

Basic concept of Human Resources Management (HRM)



■ Stable employment with fair and honest evaluations and working conditions

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

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

Optimising assignment of human resources from a medium-term and global perspective

A key challenge is to secure human resources in order to operate on a global level. The Toyota Boshoku group always visualises the quality and number of human resources required for business and creates a framework for realising optimum recruitment and allocation of human resources from a global perspective that will support the

achievement of our growth strategy.

■ Secure human resources in a timely manner

In securing human resources, it is critical to be able to respond in a timely manner to business needs in terms of what kind of talents are needed in which region and business area. In fiscal 2016, we

formulated a medium-term human resources plan to visualise the human resources required to implement our future growth strategy. Based on global personnel needs we have visualised, we aim to secure and nurture the necessary human resources in a timely manner.

■ Developing global leaders

The Toyota Boshoku group works to foster human resources who can play an important role in global management.

We will enhance and expand our system for discussing succession plans and personal development plans with a view to nurturing key global personnel. At the same time, we will create a programme to develop human resources who can operate at a global level by providing knowledge and through strategic allocation.

Establishment of a system to support a spirit to boldly challenge and exert capabilities to the fullest

The Toyota Boshoku group, which boasts members with a wide range of ideas and strengths, believes that further promoting diversity is key to corporate growth.

We respect diversity in terms of the individuality and capabilities of each individual and work to create an environment where members can continue to work in a vibrant manner by encouraging them to take initiative so that everyone can exert their full potential.

■ Creating a Global HR Platform supporting global consolidated management

As one way to build foundations supporting global consolidated management, the Toyota Boshoku group is striving to create a Global HR Platform that serves as a common and fair personnel system worldwide for all members based on the TB Way.

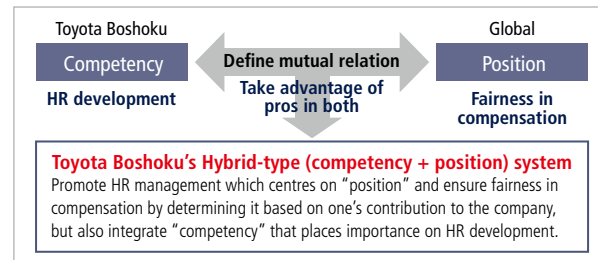
A common personnel system for General Managers and Assistant General Managers worldwide was already introduced in 2013 to recruit and foster global leaders. Managers worldwide were also qualified in April 2017.

The new system, scheduled for introduction in fiscal 2018, will be expanded to all Toyota Boshoku group members. We intend to make a Hybrid-type system that adds the good points of global standards for positions that realise fairness in conditions (equal labour, equal pay) centred on degree of difficulty and responsibility to our competency standards, in which we promote human resources development based on individual skills.

By maximising individual capabilities and having the right

person in the right place globally, we can optimise the workplace capabilities of the Toyota Boshoku group.

HR management standard Toyota Boshoku aims for



■ Respecting diverse careers and work styles

Based on the keywords diversity and synergy, the Toyota Boshoku group respects the diverse values, career ambitions and work styles of all 50,000 members worldwide and works to create a system enabling the individual to choose the way he or she contributes to the company.

As an example, we will look into a framework that permits the individual to select the area of work (global, specific region, no transfers) depending on career path and lifestyle and befitting individuality and capabilities.

In addition, we will establish a system of recruitment, evaluation and work conditions for human resources with special talents and sophisticated expertise or skills, and create an environment in which innovative people who generate new added value can work.

■ Respecting diversity

We are working to establish an environment in which anyone can take on challenges at anytime irrespective of nationality, age, gender or physical/mental disability.

[Promoting active roles for female members]

In addition to the active recruitment of female members, Toyota Boshoku has formulated a plan to develop individual females for managerial positions based on a voluntary action plan* to encourage female members to play more active roles.

Also, we help raise awareness of these matters among women and managers and encourage women's career development. We are striving to set up work-friendly processes appropriate to female

members with specialised skills.

*Toyota Boshoku aims to increase the number of women in managerial roles by two-fold in 2020 and five-fold in 2030 compared with 2014.

[Encouraging employment of persons with disabilities]

Toyota Boshoku is creating an environment that is easy to work in for members with disabilities and is actively seeking to employ such persons. This includes creating work-friendly processes, expanding the number of assistants per site and barrier-free facilities, and identifying new workplaces in which members with disabilities can work vibrantly.

Employment rate of persons with disabilities [Toyota Boshoku]

Fiscal year	2012	2013	2014	2015	2016
Employment rate of persons with disabilities (%)	1.75	1.85	1.89	1.90	2.04

Promoting "innovation of vibrant work styles"

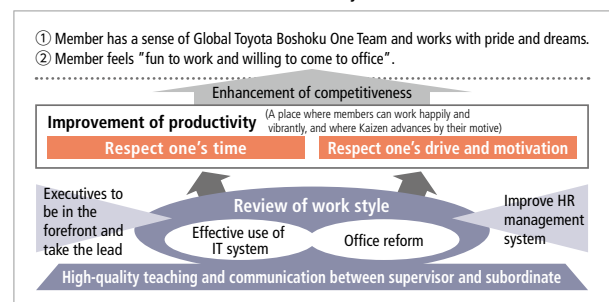
One of our biggest challenges is to fundamentally change the corporate climate and culture of the Toyota Boshoku group. Through such reform, we aim to build a positive and fun workplace that elicits members' motivation and stimulates autonomous *kaizen*. We believe that such a workplace environment leads to the improvement of productivity and strengthens competitiveness.

■ Core initiatives

The foundation of these activities in fiscal 2017 will be high-quality guidance and communication between supervisors and subordinates, an initiative we introduced in fiscal 2016. In order to create this time, we are looking to increase efficiency of existing operations by eliminating or cutting certain areas as part of divisional policy. We will also standardise mail composition, reduce the number of messages sent, and minimise the frequency, length and number of participants for meetings throughout the organisation. On top of this, we will use standard operational roadmaps that clearly outline what needs to be done, for what purpose, by when and to what extent in order to raise the quality of the work being handed over. By minimising the need to rework or redo something, we can assume a more productive work style. In addition, we will set key performance

indicators (KPIs) after extracting and collating items from an internal questionnaire and verify the result of efforts to promote reform to a more energised work style.

Overview of innovation of vibrant work styles



■ Activities to promote core initiatives

Top management and executive officers will declare the need to reform work style to express how serious the company is to all members so each individual can do what is required to promote reform to a more vibrant work style.

Also, we will encourage work styles that result in high productivity through such means as "morning challenge," which allows people who start early to go home early, and introducing flexible work rules that include flextime without core time, expanding the discretionary

work system and institutionalising the concept of working from home. Further, we will create a work environment in which members can take active roles in business anytime and anywhere by reducing

time spent commuting between sites and introducing office reforms such as switching to a free address office.

Specialised skills related education

The Toyota Boshoku group enhances and passes on manufacturing skills globally. We are working to foster exceptional supervisors, establish excellent manufacturing skills, strengthen maintenance skills, develop members who always work safely and nurture core young human resources in order to develop human resources to enable the highest levels of safety, quality and delivery, as well as enhance on-site competency.

■ Fostering exceptional supervisors

The Toyota Boshoku group conducts training for supervisors globally as well as promote the creation of an environment in which each region can implement basic skills training and maintenance training on their own.

■ Establishing excellent manufacturing skills

As part of *Karakuri* training, Toyota Boshoku welcomed trainees from countries outside Japan and introduced Karakuri KAIZEN® globally. In fiscal 2016, the Sanage Manufacturing Division won the Good Idea Award in the Karakuri KAIZEN Exhibition 2016. In the All TB Skills Competition, 210 participants, including suppliers, from 16 countries came together to compete with each other and demonstrate their skills.



Understanding the framework behind *karakuri*

■ Strengthening maintenance skills

The Toyota Boshoku group is striving to improve these skills through short courses for specialised skills such as mechanical systems, electrical systems and mould and die maintenance. We are also working to develop maintenance training in accordance with needs.

Captured the Company's first gold medals at the National Skills Competition of Japan

Two members from Toyota Boshoku Technical Skills Academy's Worldskills Competition Group won Toyota Boshoku's first ever gold medals in the mechatronics category at the 54th National Skills Competition held in October 2016. The two members will also test their skills at the 44th World Skills Competitions in the United Arab Emirates in October 2017.



Daily practice proves beneficial

Taiwan member enters Toyota Boshoku Technical Skills Academy for first time in fiscal 2016



Shin San Shing
Weijun Zhang

The year I spent at the Academy was invaluable and helped me grow personally. I took back what I learned to Shin San Shing, and as the person in charge of equipment maintenance, I am working to improve productivity by reducing the frequency of machine breakdowns. With a strong commitment to work, I will face problems head-on and find solutions.



"I received a lot of help from classmates and instructors during my year at the Academy."

■ Developing members who always work safely

In the Safety Sensation *Dojo* (simulated accident dojo), we work to prevent accidents by enhancing members' sensitivity toward risks in order to achieve zero industrial accidents. Recently, we introduced equipment to demonstrate the risks and dangers of explosions.

■ 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. In fiscal 2017, we once again have a young member from Taiwan learning with other Technical Skills Academy members.

Promoting safety and health culture

The Toyota Boshoku group implements safety and health activities as labour-management cooperative efforts under a Basic Safety and Health policy in order to establish a corporate culture that places a priority on safety and health at work.

Basic Safety and Health policy

In order to establish a corporate culture of safety first, we declare that we will not produce, handle, transport or dispose of products or materials unless people's safety, health and environment are protected.

■ Creation of global management of occupational safety and health activities

Creating a safe work environment is a priority issue for companies and local communities. With this in mind, the Toyota Boshoku group works to enhance safety and health at work through activities based on an Occupational Safety & Health Management System (OSHMS).

Toyota Boshoku has incorporated operating rules into internal safety and health standards and expanded these standards to all work sites, including administrative and technical groups. In



Experiencing the danger of working in high places during Global Week

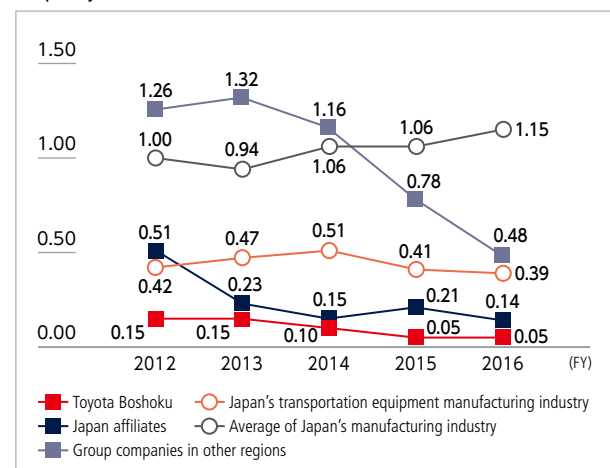
fiscal 2016, we clarified inspection requirements for STOP6*¹ and conducted safety inspections to create workplaces where there are absolutely no major accidents (fatalities). We also took steps to establish risk assessment procedures worldwide.

*1 S: Safety T: Toyota O: 0 (Zero Accident) P: Project 6: 6 items (Being caught in machines, coming in contact with heavy objects, coming in contact with vehicles, falling, electrocution and coming in contact with heated objects)

[Efforts to build an interdependent culture of safety]

The Toyota Boshoku group promotes health and safety activities aimed at achieving zero industrial accidents. We also systemise our safety training programme and conduct training locally through Toyota Boshoku personnel in charge in each region in order to create and establish an interdependent culture of safety. Global Week*² held in July 2017 was used to advance human resources development worldwide aimed at eliminating fatal accidents.

Frequency rate of lost time accidents



Management from all regions were given hands-on experience with danger related to risk from work in high places, which can cause fatal accidents, and inspection points for cranes.

*2 Corporate officers, division general managers, site managers and representatives from certain business entities came together for a week of discussions involving the entire group that transcended region and function.

■ Promoting healthy human resources and instilling a culture of health

The Toyota Boshoku group is taking steps to ensure the health of all company members and to create and instill a culture of health so that everyone can be healthy and energetic, both mentally and physically, not only while they are working but also after retirement. To achieve this, we are supporting the health of all members from both physical and mental perspectives through an integrated system of industrial physicians and staff promoting health.

[Conducting health checkups for all members]

The Toyota Boshoku group conducts health checks at all of its sites and was able to cover every location throughout the group in fiscal 2016. Going forward, we aim to implement health checks for 100% of members, including regions where they aren't mandatory, by continuing to raise awareness about health and providing follow-ups in healthcare rooms and in the workplace.

New health centre opens

A new health centre was opened at Toyota Boshoku Indiana in March 2017. The facility is run by a healthcare corporation and services are provided from 10am to 8pm everyday by a resident nurse and medical assistant. Services include a doctor's visit in an emergency, group medical examinations and management of lifestyle-related diseases. Other services include examination after returning to work and assessment of ergonomics in order to cover a wide range of member needs.



Opening ceremony for the health centre

[Initiatives to prevent lifestyle-related diseases]

In the Japan region, we implement activities aimed at preventing lifestyle-related diseases with a focus on reducing the number of members with a BMI of 25 or above (classified as obese) and programmes to reduce the rate of smoking. We hold seminars on lifestyle-related diseases so members can recognise the lifestyle-related diseases they may have as well as provide the impetus for making improvements, and a no-smoking marathon*³ plus other events that lead to better health. To prevent the risk of passive smoking, we have closed 161 indoor smoking areas of the 182 smoking areas that are both indoors and outdoors. We now only have 53 outdoor smoking areas.

*3 A 210-day no-smoking challenge for smokers and supporters

Recognised as an Excellent Enterprise of Health and Productivity Management

Toyota Boshoku was recognised as an Excellent Enterprise of Health and Productivity Management—White 500 by the Ministry of Economy, Trade and Industry for our strategic implementation of members' healthcare from a management perspective. As a company, we believe that the most important thing is for all members to be able to work in good health and vitality. We were recognised for taking concerted efforts to ensure the health of each individual, which included health checks for 100% of members and reductions in obesity and the smoking rate.



Together with Suppliers

Using fair and equitable procedures, the Toyota Boshoku group purchases parts, raw materials and equipment from a large number of suppliers throughout the world. Together, we will grow by putting into practice the spirit of a win-win relationship while fulfilling our social responsibilities in the supply chain.

Open, fair and transparent trade and implementation of CSR activities in the supply chain

In addition to conducting purchasing activities based on a basic purchasing policy, we are working to strengthen CSR throughout the supply chain.

Basic purchasing policy [Web](#)

- 1 Open and Fair Transactions
- 2 Mutual Development through Mutual Trust
- 3 Promotion of "Green Purchasing"
- 4 Promotion of Local Purchasing as a Good Corporate Citizen
- 5 Law-abidingness and maintaining Confidentiality

■ Strengthening CSR in the supply chain

The Toyota Boshoku group code of conduct specifies a code of behaviour for purchasing activities that achieve trust and respect and all group members pledge to act in accordance with these guidelines.

In terms of purchasing, we are working to meet stakeholder expectations and contribute to social value by strengthening CSR throughout the supply chain. This includes complying with laws and regulations pertaining to antitrust laws, subcontracting laws, labour laws and environmental laws in Japan as well as similar laws and regulations in regions outside Japan. We also seek to contribute to local communities and create a risk management system for large-scale disasters.

In fiscal 2016, at the Global Supplier Meeting, we requested Toyota Boshoku's major suppliers (approximately 100 companies) to work on quality assurance in the supply chain, including secondary and tertiary suppliers, production preparations and appropriate preparations for safety and major disasters as key themes to strengthen risk management.

■ Promoting purchasing activities that consider human rights

Toyota Boshoku requests the following for its basic supplier agreements: (1) Respect of human rights and building awareness of social responsibility in the supply chain; (2) Prohibiting bribery; (3) Ensuring fair transactions; and (4) Removing antisocial forces. We continue to respond to regulatory issues concerning conflict

minerals*¹ and are conducting surveys by going back along secondary and tertiary suppliers.

In fiscal 2016, we held CSR-related workshops related to the role of women and deepened the understanding of top management from supplier companies. In fiscal 2017, we will promote CSR-related procurement by formulating and distributing the Toyota Boshoku Supplier CSR Guidelines and implementing self-assessments.

*¹ Conflict minerals are minerals extracted in a conflict zone that are sold to perpetuate the fighting.

■ Promotion of green purchasing

The Toyota Boshoku group is strengthening its response to legal compliance related to various environmental regulations in respective countries and regions, including the global REACH Regulation*², based on our Green Purchasing Guidelines [Web](#), and we are working actively to reduce environmental burden with all suppliers. In fiscal 2016, we revised the Green Purchasing Guidelines based on the 2050 Environmental Vision and issued them in June 2017. We aim to extend the guideline throughout the supply chain.

*² A regulation on "Registration, Evaluation, Authorisation and Restriction of Chemicals" enforced in Europe

[Building of environmental management systems (EMS) at suppliers]

Toyota Boshoku requires its suppliers to establish EMS based on the acquisition of ISO certification aimed at creating a sustainable society. As a result, in fiscal 2016, 90 major suppliers have acquired ISO 14001 certification. In fiscal 2017, we will expand the scope of companies aiming to acquire certification to approximately 300.

ISO 14001 certification acquisition

Fiscal year	2013	2014	2015	2016
Supplier companies	87	87	87	90
Certified companies	86	87	87	90
Certification rate (%)	99	100	100	100

■ Reinforcing risk management in the supply chain

Toyota Boshoku operates a supplier safety confirmation system at times of large-scale disaster as part of efforts to strengthen risk management in the supply chain. In fiscal 2016, we expanded the scope of operation to include impact and damage caused by

typhoons and heavy snow, reviewed the business continuity plan (BCP) and improved the precision of supply chain information as part of efforts to build a platform to ensure the system is functioning smoothly. We are also holding study sessions for small- and medium-sized suppliers with the aim of promoting formulation of BCPs.

Creation of a global purchasing system

As business becomes more global in nature, the Toyota Boshoku group is working as a whole to promote local purchasing and realise optimal global purchasing together with suppliers, giving due consideration to all aspects such as quality, safety and cost.

■ Annual Supplier Meeting

A Global Annual Supplier Meeting and Annual Supplier Meeting in each region are held for Toyota Boshoku group principal suppliers to share the group's current direction. This is held in order to deepen communication with suppliers.

In fiscal 2016, we introduced a product business-based organisation and conveyed respective Product Business Group policies in addition to our purchasing policy. Moreover, in each region we pushed ahead with preparations to invite excellent suppliers from each region to the Toyota Boshoku Global Annual Supplier Meeting to be held in 2018.



Annual Supplier Meeting in Japan



Awards presentation ceremony at the Annual Supplier Meeting at Toyota Boshoku Asia

■ Creation of a cohesive global purchasing system

In fiscal 2016, as a fundamental system to standardise purchasing information from respective countries worldwide, a unit price database for components and raw materials called TB-WAVE has been rolled out to entities such as those in ASEAN and Europe & Africa regions. Moreover, we launched a cost benchmark system related to components and raw materials that is connected with TB-WAVE. At the same time, this is being deployed to respective regions while dealing with any operational issues.

■ Deployment of global Supplier Parts Tracking Team (SPTT) activities

The Toyota Boshoku group is promoting global SPTT activities to assure the quality of its products by helping suppliers in other regions enhance their production processes, from beginning with the production preparation stage to getting their businesses on track after the launch of new products. Such actions help create face-to-face ties between suppliers and various divisions, including purchasing, design and quality control, as well as enable problem solving and mutual benefits from different perspectives, notably in such areas as quality, amount, cost, distribution and timely delivery.

In fiscal 2016, purchasing, design and quality control divisions in Japan each took steps to verify supplier wants and conditions via *genchi-genbutsu* (Go, see and study) along with local SPTT members as a means to solidify our footing with activities to prepare for the global production and manufacturing of vehicles in the future. We will continue improving SPTT activities and rolling them out globally in order to provide customers with even better quality products.

Social Contribution

The Toyota Boshoku group will implement social contribution activities in response to local issues based on our shared corporate philosophy in which we endeavour to promote corporate growth while fulfilling our responsibilities as a good corporate citizen in the three core fields of activities with local citizens, environmental activities and foster youth through education.

Toyota Boshoku group areas of focus

Activities with local citizens

Environmental activities

Foster youth through education

Activities with local citizens

Belgium Toyota Boshoku Europe (TBEU)

Participated in charity marathon

TBEU members participated in the 20km Brussels Half Marathon. The marathon helps support people in need with a portion of entrants' fees going to the Red Cross.



U.S.A. Toyota Boshoku Kentucky

Donated to disaster victims

Toyota Boshoku Kentucky conducted fundraising activities to support victims of the floods that hit the U.S. state of West Virginia in June 2016. Members donated numerous articles of clothing and school supplies through a local church.



China Tianjin Feng'ai Automotive Seat Parts/
Tianjin Toyota Boshoku Automotive Parts

Mid-Autumn Festival activities

Toyota Boshoku companies in China provided support to a home for the elderly and a children's home in conjunction with a cooperative association during the Mid-Autumn Festival, a traditional Chinese holiday. At Tianjin Feng'ai Automotive Seat Parts, the Chief Executive Officer and seven members from the cooperative gave mooncakes to the elderly and children, which put a smile on their faces. At Tianjin Toyota Boshoku Automotive Parts, seven members, including the Chief

Executive Officer, visited a home for the elderly and donated milk, cooking oil and other daily necessities.



Environmental activities

Japan Toyota Boshoku

Reforestation activities in Kashimo

Toyota Boshoku has been conducting reforestation activities in Kashimo, Gifu Prefecture, since 2008. In addition to cutting the grass and shrubs and providing forest maintenance, we made local cuisine and used tree trimmings for a craft-building event. Many of the members took part with their families, which served to deepen interaction with local people while undertaking the reforestation activities.



China Chengdu Toyota Boshoku Automotive Parts

Enhancing environmental awareness through no-car days

The company started implementing no-car days for the first time to get members who commute by car every day to start using public transport. About half of these members went to the office using public transport or the company bus on no-car days. Such days will be introduced on a regular basis to improve environmental protection awareness.



Thailand Toyota Boshoku Asia

Sea turtle pond cleanup activity

A total of 60 members participated in a cleanup activity of a sea turtle pond at the Sea Turtle Conservation Center hosted by the Royal Thai Navy. Participating members cleaned a large pond that sea turtles around eight months old use. The shells of the sea turtles were also cleaned and two hatchlings were let loose into the sea.



Foster youth through education

Poland

Toyota Boshoku Poland

Donated books to local children

Toyota Boshoku Poland members collected over 100 books during the month of April 2016 along with the company providing shoes, bags and reflective stickers for road safety that were given to children in a local kindergarten. Members also read some of the books to the delighted children.



Vietnam

Toyota Boshoku Haiphong

Made a "flower frame" for children

Toyota Boshoku Haiphong made a "flower frame" resembling a tunnel that uses vines and is 25m wide, 10.5m long and 3m high since the children at a local elementary school had hardly anywhere to play in the shade. Flowers on the vines are expected to bloom in around a year. Efforts will continue to be made to ensure the children have a fun and safe school life.



U.S.A.

Toyota Boshoku America

Support of children

Toyota Boshoku America conducted internal fundraising activities and collected US\$2,241 in support of a volunteer group for children. In June 2016, the company and other participating companies got together for a bowling competition. The aim is to come up with other inventive ways to get more and more people involved in support activities going forward.



Awards from society

Toyota Boshoku Shiga/TB Kawashima

Award for helping to create a low-carbon society in Shiga

An award ceremony was held to bestow honours for efforts to create a low-carbon society in Shiga Prefecture for fiscal 2016 and Toyota Boshoku Shiga and TB Kawashima received awards in the corporate action plan category. This category awards those businesses making concerted efforts to reduce greenhouse gas emissions, in particular, with these two companies recognised for their efforts. Toyota Boshoku Shiga measured the heat-up time for equipment over a year and endeavoured to reduce power consumption through optimum heat-up time. TB Kawashima created a heat storage system in a fabric cleaning process, thus saving energy and reducing costs.



Toyota Boshoku (China)

Selected in the best 100 automobile parts makers in China

Toyota Boshoku (China) (TBCH) made it into the top 10 foreign-affiliated companies for the first time as part of a list celebrating the best 100 automobile parts makers in China issued by *China Automotive News*, the largest weekly magazine in the Chinese automotive world, in December 2016. The honour is bestowed on automobile parts makers in China that drive corporate growth through exceptional management and make a significant contribution to the Chinese economy and automotive industry. TBCH was recognised for its proactive social contribution activities, which include human resources development, industry contribution and environmental conservation, as well cooperation in discussions concerning laws and regulations for interior components and the environment.



Toyota Boshoku Turkey (TBT)

Won innovation award from the Turkish government

TBT won the Innovation Leader Award for the first time in a ceremony celebrating innovation leader companies run by the Turkish government in December 2016. Around 761 companies took part in Turkey and TBT was rated highly and came in third place for the "Innovation Organization & Culture Award." Since establishing an R&D centre in 2014, TBT has consistently raised the level of engineers in conjunction with educational and research institutes such as universities while at the same time introducing an incentive system, for which the company was recognised.





Aiming for a Sustainable Global Environment for Our Children

The Toyota Boshoku group recently formulated its 2050 Environmental Vision based on the belief that it is necessary to take a long-term perspective toward environmental issues and tackle them at an even higher level. Based on the vision, the Toyota Boshoku group has established six Stretch Environmental Goals to be realised by 2050, including the challenge of achieving zero CO₂ emissions in business activities. At the same time, we have initiated new activities in line with our 2020 Environmental Action Plan, which is a medium-term plan of action aimed at realising the vision.



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.

	2050 Environmental Vision (6 Stretch Environmental Goals)	Action items for 2020 Environmental Action Plan
Establishment of Low Carbon Society (Climate Change, CO ₂)	 1 Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group The Toyota Boshoku group will take on the challenge of "achieving zero CO ₂ emissions from all of our plants by 2050." We will strive to reduce CO ₂ emissions significantly through the development of innovative production technology, the development of products and material engineering, the improvement of plants and the utilisation of renewable / next generation energy.	1 Promote the development of innovative production technology with low CO ₂ emissions 2 Promote the use of renewable energy suitable for individual countries and regions 3 Study the possibility of utilising next generation energy within the company, and define the mid- to long-term outlook for the utilisation of such energy 4 Minimise the CO ₂ emissions in daily production activities 5 Product development that contributes to top-level fuel efficiency 6 Promote product development to support next generation automobiles 7 Develop and commercialise products using plant-derived materials 8 Reduce CO ₂ emissions through the pursuit of efficient logistics activities
	 2 Challenge of achieving zero CO₂ emissions in the product life cycle Instead of focusing only on the reduction of CO ₂ emissions during our auto parts production process, Toyota Boshoku will take on the challenge of "achieving zero CO ₂ emissions" in all stages of product life cycle from production to use, disposal and recycling of products.	
	 3 Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling The Toyota Boshoku group currently uses water in product cleaning and painting processes. Moving forward, we will take on the challenge of "achieving zero wastewater in the Toyota Boshoku group production processes by water recycling" through the establishment of a circulation system by replacing the existing processes with water-less process, purifying and recycling wastewater as well as using rainwater.	9 Reduce the amount of water used in production activities and wastewater
	 4 Challenge of minimising natural resources usage The Toyota Boshoku group will take on the challenge of "minimising natural resources usage" through the promotion of readily disassemblable and recyclable design, the development of recycling technologies to realise a material cycle and the replacement of materials with a wider range of plant-derived materials.	10 Reduce the use of fossil fuel resources through the utilisation of plant-derived raw materials
	 5 Challenge of minimising wastes produced by the Toyota Boshoku group The Toyota Boshoku group will take on the challenge of "minimising wastes produced by the Toyota Boshoku group" and embarking on various efforts including the design and method development enabling efficient use of resources, the development of recycling technologies and 100% material recycling (to make parts from parts).	11 Reduce the amount of waste generated in production activities and promote the effective use of resources 12 Reduce the amount of packaging materials used in logistics activities and effective use of resources
	 6 Challenge of planting 1.32 million trees as part of reforestation activities Toyota Boshoku will take on the challenge of "planting 1.32 million trees as part of reforestation activities" by harnessing its group network to contribute to the habitat conservation for endemic species in individual regions and countries, the protection of forests and the restoration of abundant habitats.	13 Promote environmental social contribution programmes through forest-creating activities / forest conservation activities
	Management	14 Promote the reinforcement of the consolidated environmental management 15 Strengthen the chemical substance management system 16 Reduce the VOC* emissions from production activities 17 Promote environmental activities in collaboration with business partners (suppliers) 18 Promote environmental management in product development 19 Strengthen environmental education to pass the environmental conservation activities on to future generations 20 Enhance communication with stakeholders through active disclosure of environmental information

* Volatile Organic Compounds (covers 100 substances designated by Japan's Ministry of the Environment)

Special
Feature

Striving for Zero Wastewater in Production Processes

The global water situation

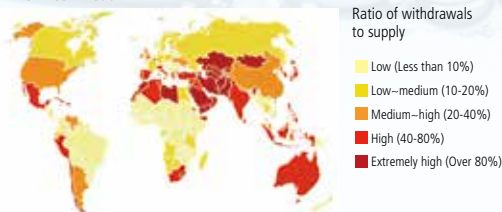
Of all the water on earth, only around 0.01% is fresh water that can be used by humans. By 2040, it has been projected that at least 40% of the world's population will be faced with a water shortage due to population growth, droughts and floods caused by climate change, water contamination and water-related conflict.

Water stress

The maximum amount of water resources available is the bare minimum of 1,700m³ by each person per year. An area is experiencing water stress when annual water supplies drop below 1,700m³ per person. When annual water supplies drop below 1,000m³ per person, the population faces water scarcity, and below 500m³ "absolute scarcity."

Water stress by country: 2013

WATER STRESS BY COUNTRY



"WORLD STRESS BY COUNTRY" by Andrew, WRI Aqueduct Country and River Basin Rankings, used under CC BY 4.0

<http://www.wri.org/our-work/project/aqueduct>

*The background for this map has been removed for clarity.

Water stress by country: 2040

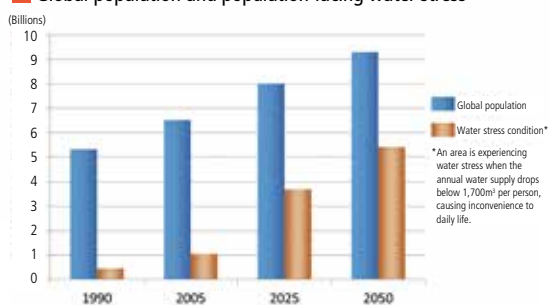
Water Stress by Country: 2040



"World Stress by Country: 2040" by Andrew, WRI Aqueduct Country and River Basin Rankings, used under CC BY 4.0

<http://www.wri.org/our-work/project/aqueduct>

Global population and population facing water stress



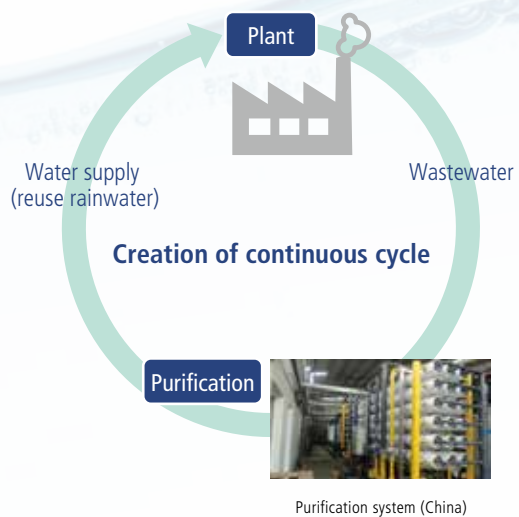
Source: White paper on telecommunications and ICT 2013 edition issued by the Ministry of Internal Affairs and Communications



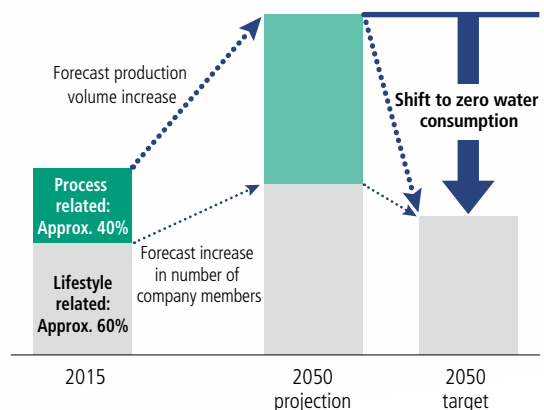
Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling

Although water is used to clean products and in coating processes, Toyota Boshoku has set the "challenge of achieving zero wastewater in production processes by way of water recycling" through the creation of a continuous cycle that includes switching to waterless processes, purification and reuse of discharged water and use of rainwater.

Zero wastewater process



Toyota Boshoku group's water consumption (Unit: 1,000m³)



Lifestyle-related wastewater

Toyota Boshoku will continue to pour its efforts into water recycling through the use of rainwater and other means, as well as take steps to reduce consumption of lifestyle-related wastewater.



3

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

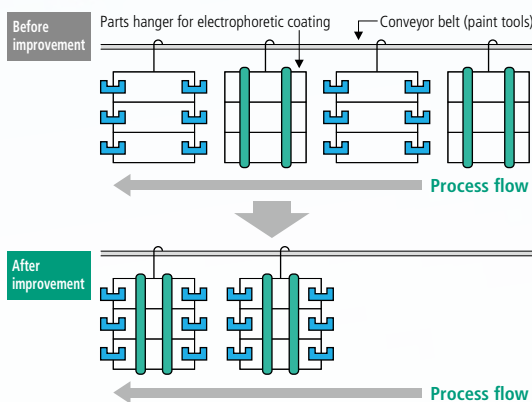
Regional efforts

Reduce water consumption by improving processes

Improved process at Tianjin Feng'ai Automotive Seat Parts (China)

The coating process was reviewed to further improve efficiency. The time required for coating was reduced and the time taken for cleaning before and after coating was cut to three-quarters, enabling a reduction in water consumption.

Case of Tianjin Feng'ai Automotive Seat Parts



Development of unique water treatment system

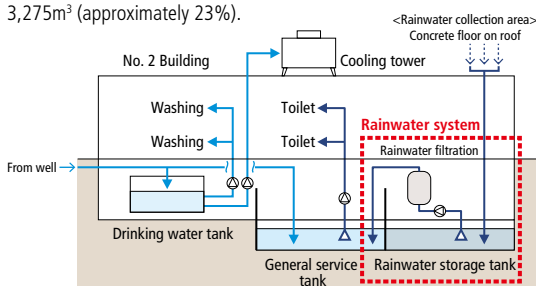
Applying Kariya Plant initiatives worldwide

After efforts to develop a complex water treatment system at the Kariya Plant, Toyota Boshoku succeeded in significantly reducing water consumption there. The system recycles water, removes water deposits and eliminates concerns with corrosion (resulting in a stronger coated layer). It also realises energy conservation and lower running costs, is maintenance-free and can be used for a long period. The system has already been installed at 19 Toyota Boshoku group sites worldwide with plans to increase application at other facilities going forward to further save water.

Water recycling aimed at reducing lifestyle-related wastewater

Using rainwater for flushing toilets at No. 2 building of Sanage Development Centre

A rainwater usage system was installed when the office was being built that included a rainwater filter and an underground water tank. The water is used for flushing the toilets after sterilisation and pH adjustment, which helped reduce annual water consumption by 3,275m³ (approximately 23%).



Future policy

The global water situation continues to worsen with climate change around the world viewed as a contributing factor. In order to help improve water stress and combat climate change, the Toyota Boshoku group has committed to the following initiatives from a global perspective: "Challenge of achieving zero wastewater in the Toyota Boshoku group production processes by water recycling," "Challenge of achieving zero CO₂ emissions in the Toyota Boshoku group" and "Challenge of achieving zero CO₂ emissions in the product life cycle."

The Toyota Boshoku group has implemented measures to improve production processes at its various plants over the years with the aim of achieving zero wastewater. Going forward, we will strive to realise zero wastewater in production processes worldwide by developing and carrying out activities with proven results at each plant.

Drills and enlightenment activities to reduce water risk

Initiatives at Toyota Boshoku Kyushu

This company undertook drills for recovering oil by simulating an oil leak into a nearby river. The drills involved confirming that company members understood the work procedure and that there were no issues with the details of the operation.



Drill for recovering oil

Initiatives at Toyota Boshoku Shiga

Activities were conducted to increase awareness of environmental risk, including emergency drills simulating a leak outside the premises and into the sewage system.



Drill simulating a leak outside the premises

FY2016 Results (2050 Environmental Vision)

Category	Action item		Specific action		FY2016 targets	FY2016 results	Evaluation	Page	
Establishment of Low Carbon Society (Climate Change, CO ₂)	Production	1	Promote the development of innovative production technology with low CO ₂ emissions	• Reduce CO ₂ emissions from new processes by 30%, promote the development of innovative production technology	• Incorporate energy conservation measures for new equipment) (reduce 30% from standard equipment)	• Completed incorporation of energy conservation measures as planned	○	63	
				• Downsize processes, reduce transfer distance, and minimise BOM		• Completed development of new method and installation of equipment that downsized processes as planned			
				• Reduce the amount of energy used through the development of next generation moulding, decoration & assembly methods	• Draft and implement development items				
				• Promote the reduction of CO ₂ emissions through the introduction of co-generation equipment	• Systematically conduct installation of co-generation equipment	• Completed installation and started operation (December) of gas engine cogeneration equipment with a capacity of 2,400kW at the Sanage Plant			
	2	Promote the use of renewable energy suitable for respective countries and regions	• Expand the areas to introduce renewable energies, considering the characteristics of inrespective countries and regions (Economic efficiency/Reduction of CO ₂ emissions)	• Conduct examination of characteristics of respective countries and regions, target values and a plan for introducing renewable energies	• Completed examination of characteristics of respective countries and regions and draft of a plan to introduce renewable energies	○	—		
	3	Study the possibility of utilising next generation energy within the company, and define the mid- to long-term outlook for the utilisation of such energy	• Study the possibility of utilising next generation energy for processes and motors, and clarify the outlook for the utilisation of such energy	• Research trends in hydrogen energy use and study the possibility of using fuel cells	• Completed draft of a plan to install a model line for fuel cell use	○	—		
	4	Minimise the CO ₂ emissions in daily production activities	• Thoroughly eliminate waste in energy use through the pursuit of improved productivity and E-JIT activities* ¹	• Eliminate waste through energy conservation diagnostics and determine and implement investment zero items decisively	• Determined investment zero items decisively and implemented improvement measures through energy conservation diagnostics and patrols	○	63		
			• Reduce CO ₂ by completing investment zero items* ² decisively, and promote and maintain the activity						
			• Actively replace low-efficiency equipment with high-efficiency equipment	• Upgrade to high-efficiency equipment in a planned manner and study equipment on premises so as to draft a medium- to long-term upgrade plan	• Implemented planned upgrade and completed research into equipment globally				
			• Promote the understanding and reduction of the energy basic unit for products & processes	• Promote the understanding of energy basic unit and install weighing machines to make improvements	• Completed installation of weighing machines such as seat assembly processing as planned				
Product	5	Product development that contributes to top-level fuel efficiency	• Reduced product weight (Seat, interior & exterior, filter/ powertrain)	<Seat> • Develop lightweight frame for rear seat <Interior & Exterior> • Decide on use of moulded foam door trims with high impact resistance	<Seat> • Completed evaluation of prototype <Interior & Exterior> • Completed verification of mass production for moulded foam door trims with high impact resistance • Completed assessment of marginal performance of high modifier	○	62		
			• Heat management (Reduced air-conditioning load through the development of heat insulation materials)	• Assess specifications for TPO* ³ surface materials/ needle-punch* ⁴ non-woven surface material that secure 40% in infrared reflectance	• TPO surface material: Completed development as surface material with infrared reflectance capability • Needle-punch non-woven surface material: Confirmed addition of infrared reflectance capability				
			6	Promote product development to support next generation automobiles	• Increase the mass production of HV motor components and FC components			<HV motor> • Secure orders for prototype <FC (fuel cell)> • Secure orders for mass production of FC parts	<HV motor> • Received orders for prototype <FC (fuel cell)> • Received orders for FC parts
Logistics	7	Develop and commercialise products using plant-derived materials	• Utilisation of plant-derived materials for automotive parts	• Formulate strategy for expanding sales of kenaf • Newly apply kenaf to latest models	• Completed plan for expanding application of kenaf • New application decided for Corolla	○	61		
	8	Reduce CO ₂ emissions through the pursuit of efficient logistics activities	• Reduce the CO ₂ emissions through improved transportation efficiency and further improvement of activities with low fuel efficiency	Target value: 8,441t or less	Result: 6,593t	○	63		
[Targets regarding 1~8]									
Production	Region	Base year	Unit	2020 targets	FY2016 targets	FY2016 results	Evaluation	63	
		Toyota Boshoku group	FY2010	Basic unit: t-CO ₂ / 1,000 unit	Reduce 15%	36.0	35.5		○
		Toyota Boshoku (non-consolidated)	FY2008	Basic unit: t-CO ₂ / 1,000 unit	Reduce 17%	19.1	18.1		○
	FY2008		Emission: t-CO ₂	Reduce 17%	62,280	57,143	○		
Logistics	Toyota Boshoku (non-consolidated)	FY2010	Emission: t-CO ₂	Reduce 10%	8,018	6,593	○		

Establishment of Recycling-based Society	Production	9	Reduce the amount of water used in production activities and wastewater	<ul style="list-style-type: none">• Reduce the amount of water used in production activities and wastewater (Development of processes with minimum consumption)	<ul style="list-style-type: none">• Draft and implement respective development items	<ul style="list-style-type: none">• Completed planned development items as planned	○	57 64
			Reduce the amount of water used in production activities and wastewater	<ul style="list-style-type: none">• Continue promoting water usage reduction activities in consideration of the water situation in respective countries and regions<ul style="list-style-type: none">· Reduce the water consumption by eliminating waste and increasing efficiency· Reduce the amount of water used by recycling	<ul style="list-style-type: none">• Promote programmes to reduce water consumption through daily <i>kaizen</i> activities in consideration of the water situation in respective countries and regions• Reuse wastewater from processes and rainwater depending on application• Switch to processes with highly efficient water use and use with high efficiency• Enhance daily management with flow meters for each channel	<ul style="list-style-type: none">• The Americas: Collected rainwater and used it as water for toilets, etc.• Asia & Oceania: Reduced water consumption by integrating plate cleaning machines• China: Reused treated wastewater from processes for watering green spaces	○	57 64
	Logistics	10	Reduce the use of fossil fuel resources through the utilisation of plant-derived materials	<ul style="list-style-type: none">• Promote the use of recycled materials & drive further recycling• Promote the development & design enabling effective use of resources through the further utilisation of plant-derived materials	<ul style="list-style-type: none">• Enable 100% recycling of kenaf base material• Make scenarios for use of plant-derived material (world technology, trends, Toyota Boshoku policy)	<ul style="list-style-type: none">• Recycled kenaf base material into woodchips for Misawa Home (commercialisation complete)• Confirmed establishment of technology for plant-derived material for 2025	○	61

*1 Energy-Just In Time activities: This refers to using just the required amount of energy at the required time to produce the required amount. Activities to eliminate waste when using energy

*2 Item enabling efficient energy conservation simply through modification without the need for investment *3 Thermo Plastic Olefin: Olefinic thermoplastic elastomer *4 A manufacturing process for non-woven textiles

[Boundary of reporting]

- Toyota Boshoku: Global Mainstay Hub, plants and offices in Japan (18 plants)
- Japan affiliates: Production entities (9 companies), others (7 companies)
- The Americas region: Regional Management & Collaboration Hub (1 company), production sites (10 companies)
- Asia & Oceania region: Regional Management & Collaboration Hub (1 company), production sites (12 companies)
- China region: Regional Management & Collaboration Hub (1 company), production sites (12 companies)
- Europe & Africa region: Regional Management & Collaboration Hub (1 company), production sites (8 companies)

From the 2020 Environmental Action Plan, the Toyota Boshoku group used production volume instead of sales, which is susceptible to external factors, for the denominator of intensity performance metrics used to manage the action items 1-7 and 11 so that improvements are more accurately measured. Likewise, the calculation method for CO₂ emissions from logistics (item 8) will be revised in order to measure the improvement more accurately.

Category	Action item		Specific action		FY2016 targets		FY2016 results		Evaluation	Page																																										
Establishment of Recycling-based Society	Production	11	Reduce the amount of waste generated in production activities and promote the effective use of resources	• Development of production technology to generate less waste		• Draft and implement respective development items		• Completed planned development items as planned		○	64																																									
				• Promote the minimisation of waste through daily kaizen activities		• Reduce waste through daily kaizen activities -Promote waste reduction activities through countermeasures at source of origin such as improving yield -Implement activities to reduce resource loss (separation, recycling) • Promote RSPP*5 production through effective utilisation of resources (waste)		• Japan: Used waste as material in the trial stage prior to mass production and reduced the volume of water loss from coating sludge • The Americas: Improved pallet recovery by shifting from free to paid collection • China: Shifted from drum cans to plastic tanks for packaging containers for polyurethane material and made them returnable		○	64																																									
	Logistics	12	Reduce the amount of packaging materials used in logistics activities and effective use of resources	• Promote the production of RSPP*5 effectively utilising resources (waste)		• Promote the use of returnable containers and lighter-weight packaging materials. Further promote the reduction of packaging materials used		1: Consumption of packaging material 2,190t/year or less 2: No. of packaging improvements: At least 6 per year		1: Consumption of packaging material 2,115t/year (Amount reduced: 74t/year) 2: No. of packaging improvements: 6 per year (Amount reduced: 7.6t/year)		○	64																																							
				[Targets regarding 11-12]																																																
<table><tr><th rowspan="3">Waste emissions</th><th>Region</th><th>Base year</th><th>Unit</th><th>2020 targets</th><th>FY2016 targets</th><th>FY2016 results</th><th>Evaluation</th></tr><tr><th>Japan region</th><td>FY2010</td><td>Basic unit: t / 1,000 units</td><td>Reduce 10%</td><td>1.72</td><td>1.32</td><td>○</td></tr><tr><th>Toyota Boshoku (non-consolidated)</th><td>FY2008</td><td>Basic unit: t / 1,000 units</td><td>Reduce 12%</td><td>1.9</td><td>1.26</td><td>○</td></tr><tr><td colspan="4"></td><td colspan="4">Zero direct landfill waste*6</td><td colspan="2">Maintain zero direct landfill waste</td><td>○</td></tr><tr><th>Packing and packaging material usage</th><th>Toyota Boshoku (non-consolidated)</th><td>FY2010</td><td>Usage: t</td><td>Reduce 12%</td><td>2,190</td><td>2,115</td><td>○</td></tr></table>											Waste emissions	Region	Base year	Unit	2020 targets	FY2016 targets	FY2016 results	Evaluation	Japan region	FY2010	Basic unit: t / 1,000 units	Reduce 10%	1.72	1.32	○	Toyota Boshoku (non-consolidated)	FY2008	Basic unit: t / 1,000 units	Reduce 12%	1.9	1.26	○					Zero direct landfill waste*6				Maintain zero direct landfill waste		○	Packing and packaging material usage	Toyota Boshoku (non-consolidated)	FY2010	Usage: t	Reduce 12%	2,190	2,115	○	64
Waste emissions	Region	Base year	Unit	2020 targets	FY2016 targets	FY2016 results	Evaluation																																													
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				Zero direct landfill waste*6				Maintain zero direct landfill waste		○																																										
Packing and packaging material usage	Toyota Boshoku (non-consolidated)	FY2010	Usage: t	Reduce 12%	2,190	2,115	○																																													
Establishment of Symbiotic Society	General	13	Promote the environmental social contribution programmes through forest-creating activities / forest conservation activities	• Promote strengthening of forest-creating and greening activities through social contribution activities [Tree planting number 170K trees (Cumulative No.: 500K trees)]		1. Global forestation activities (1) Draft a basic plan (2) No. of trees to plant: 7,000 (3) Research each region and external organisations		1. Plant trees globally (1) Completed draft of basic plan (2) No. of trees planted: 16,000 (3) Researched regions and external organisations		○	31 65																																									
				• Promote forestation activities in collaboration with NPOs		2. Promote reforestation activities in Japan (1) Implement as planned		2. Promote reforestation activities in Japan (1) Forest management activities: 10 times (2) No. of trees planted: 200																																												
				• Promote the awareness-raising activities and education for "forest & nature conservation"		3. Participate in and cooperate with All-Toyota Harmony with Nature Working Group		3. All-Toyota Harmony with Nature Working Group (1) Cooperation with events/studies: 4 times (2) Shared information on group activities																																												
Environmental Management	General	14	Promote the reinforcement of the consolidated environmental management	• Build the structure to promote 2050 Environmental Vision and develop a scenario/road map to achieve the targets		• Announce and deploy internally the 2050 Environmental Vision and 2020 Environmental Action Plan		• Announced and deployed internally the 2050 Environmental Vision and 2020 Environmental Action Plan, and reflected these in regional policy		○	66																																									
				• Toward 2050, promote the development of products, materials and methods and clarify the outlook for such development		• Formulate a roadmap for reducing CO ₂ that runs up until 2050		• Completed formulation of scenario to reduce CO ₂ in development, design, production technology and at plants																																												
				• Strengthen the environmental burden reduction activities through the enhancement of the activities of the environmental committee		• Implement mutual audits to prevent abnormalities and complaints		• Conducted mutual audits between plants at Toyota Boshoku to prevent abnormalities and complaints																																												
				• Further promote continuous improvement through the enhanced operations of the environmental management system		• Create a model manual for introducing ISO 14001: 2015 and provide education on how to operate • Newly acquire ISO 14001 certification (1 company)		• Formulated and distributed a model manual. Started operating at each plant and completed internal audits • Acquired ISO 14001 certification at TB Logistics Service																																												
		15	Strengthen the chemical substance management system	• Expand and strengthen the control of chemical substances contained in products		• Promote reduction of VOC in products (acetaldehyde)		• Worked on developing technology to reduce VOCs after specifying contributing factors		○	67																																									
				• Promote the replacement with substances with less environmental burden through the development of alternative technologies		• Promote replacement of surface material containing decabDE*7		• Completed evaluation of substitute surface material																																												
				• Establish a control structure for processed chemicals including raw materials and indirect materials		• Conduct audits of the status of chemical substance management • Audit the creation of a system enabling purchase of raw materials and secondary materials with unexamined components [Target: Zero incidences of non-conformance]		• Conducted audit of chemical substance management • Confirmed on-site the status of entry management of raw materials and secondary materials with unexamined components that cannot be purchased [Result: Zero incidences of non-conformance]																																												
		16	Reduce the VOC emissions from production activities	• Promote continuous reduction of VOC emissions through daily improvement activities		Promote activities to reduce VOCs through daily kaizen activities		• Increased coating efficiency by changing coating application gun		○	67																																									
				• Reduce the amount of waste chemical substances through the introduction of VOC treatment equipment and the development of processing methods		• Improve coating efficiency by optimising application conditions		• Changed to products containing low amount of VOCs																																												
						• Switch to products containing low amount of VOCs and water-based solvent		• Switched from organic solvent to water-based solvent • Reduced excess painting coating by improving workers' skills																																												
		Region		Base year	Unit	2020 targets	FY2016 targets	FY2016 results	Evaluation																																											
		Toyota Boshoku (non-consolidated)		FY2010	Emission: t	Reduce 10%	577	501	○																																											
17	Promote environmental activities in collaboration with business partners (suppliers)	• Strengthen the cooperation with suppliers to promote environmental activities		• Continue confirmation of suppliers who have attained ISO 14001 or related certification (target: 29 companies)		• Continued confirmation in line with plan (29 of 29 companies)		○	51																																											
		• Promote collaboration to establish a structure to work on climate change, water scarcity, resource recycling and environmental symbiosis																																																		
18	Promote the environmental management in product development	• Establish a target management system of life cycle and promote the environmental burden reduction activities in the development & design phases		• Calculate LCA*8 in model products		• Completed calculation of LCA in core products		○	—																																											
19	Strengthen environmental education to pass the environmental conservation activities on to future generations	• Organise "Environmental seminars" in collaboration with NPO to spread the activities		• Initiated collaboration with NPO		• Completed examination of collaboration style with NPO		○	68																																											
		• Continue to provide visiting education programmes (Tailored education programs to meet the demand of local schools)		• Provide visiting education programmes (2 schools)		• Provided visiting education programmes (2 schools) (Themes: global warming, resources, water)																																														
20	Enhance communication with stakeholders through active disclosure of environmental information	• Communicate activity information to all the company members through internal newsletters/briefing sessions		• Assess environmental information integrated system		• Assessed international environmental information integrated system and partially started trial operation		○																																												
		• Further enhance the provision of environmental information through Toyota Boshoku Report and other means		• Release environmental special site		• Assessment of environmental special site was completed.																																														

*5 Recycled Sound-Proofing Products: Automotive acoustic material made from urethanes and fibres separated and recycled from automobile shredder residue *6 Definition of zero direct landfill waste: Rate of direct landfill waste is less than 1%
 *7 Deca Bromo Diphenyl Ether (Fire retardant) *8 Life Cycle Assessment: Overall assessment for total environmental impact of products from raw materials through to production, use and up to disposal

Initiatives in Development and Design to Reduce Environmental Impact

In the development and design of products, the Toyota Boshoku group undertakes the challenge of achieving zero CO₂ emissions, the challenge of minimising natural resources usage and the challenge of minimising wastes.



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



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



4 Challenge of minimising natural resources usage

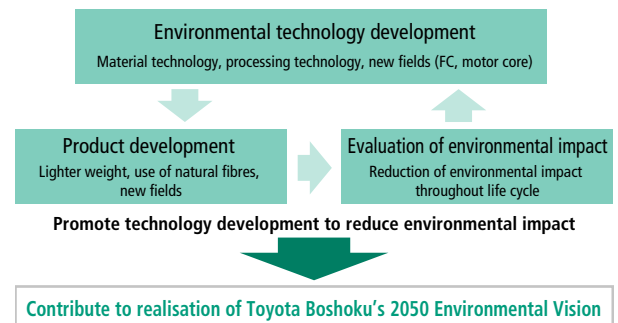


5 Challenge of minimising wastes produced by the Toyota Boshoku group

Basic philosophy

The Toyota Boshoku group has been developing and designing environmentally friendly products with priority items set as the reduction in CO₂ emissions, utilisation of plant-derived materials and reduction of the use of substances with environmental impact.

In order to achieve the 2050 Environmental Vision, we have been providing new value to society through development and design that reduces environmental impact since fiscal 2017.



Develop products using plant-derived materials

Kenaf is an annual grass that grows quickly and has high CO₂ absorption capabilities. The Toyota Boshoku group turned its attention to kenaf early on and has been working to develop products using kenaf since the latter part of the 1990s. Kenaf fibres were first used in the base material for door trim for the Celsior in 2000, and its application has since been expanded to more vehicle models with the development of such products as tyre covers, cushion pads, luggage surface material and package trays.

Realised lighter weight of kenaf base material

The use of kenaf fibres leads to exceptional environmental performance in products in terms of CO₂ absorption capability at the kenaf growth stage, enabling the switch from oil-derived material to plant-derived material and realising lighter weight. As an example, door trim base material used in the LEXUS GS in 2012 achieves around a 30-40% reduction in weight compared with 100% oil-derived base material (polypropylene).

In addition, adding in microcapsules (as shown in the diagram below) to the conventional kenaf base material led to a light weight that is world class and the development of high rigidity natural fibre base material. Moving forward, we will expand the application of kenaf and accelerate reduction in fossil fuel consumption such as oil.

Contributing to a new resource recycling system with kenaf base material

The application of kenaf base material is now expanding into the construction industry. Misawa Homes Co., Ltd., a major housing manufacturer with an interest in our kenaf base material, and Toyota Boshoku have been researching the possibility of using kenaf



Utilisation of parts not used for automotive components (Image courtesy of Misawa Homes Co., Ltd.)

Lightweight natural fibre base material

Cross section of base material

Conventional product

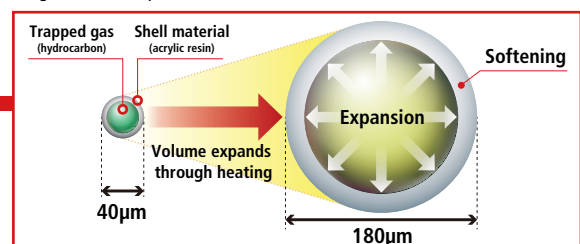


Developed product



Microcapsules fill the gaps in the fibres

Image of a microcapsule



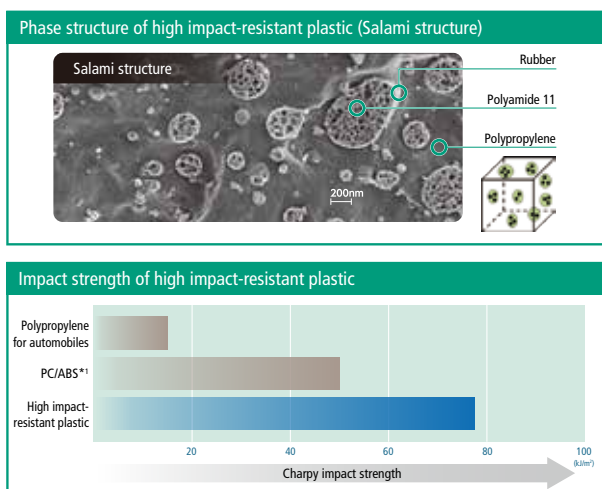
base material for exteriors made by Misawa Homes that are 100% recyclable.

The production of exteriors with finely cracked kenaf base material as their raw material started in earnest in 2016 with a product that

satisfies the company's performance criteria in terms of quality, including bending strength and linear expansion coefficient. This is contributing to the creation of a new resource recycling system.

Development of plastic components that contribute to weight reduction

Toyota Boshoku believes that the development of plastic with strength that exceeds conventional wisdom is indispensable to realise even lighter weight in automotive components. In 2013, we developed a plastic boasting world-class impact resistance through our unique salami structure together with Toyota Central R&D Labs., Inc. In 2017, we concluded a business alliance with Mitsui Chemicals, Inc. aimed at application in diverse fields beyond automotive components.



■ Development of lightweight moulded foam door trim with high impact resistance

In 2016, Toyota Boshoku developed world-class lightweight moulded foam door trim with exceptional impact resistance that is lightweight and rigid with the aim of enabling the practical application of high impact-resistant plastic. In addition to realising a 30% reduction in weight compared with door trim made with conventional injection moulding, the use of high impact-resistant plastic as an impact modifier ensures gentle cushioning from intense impact from the outside. Going forward, we will work to expand application to various interior automotive components and contribute to lighter weight and greater safety in vehicles.

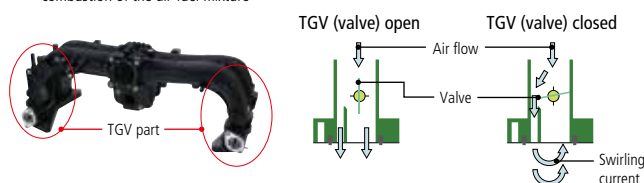


■ Development of plastic engine components that contribute to lighter weight

Toyota Boshoku is working on the development of plastic products to reduce engine weight and thereby contribute to increased fuel efficiency in automobiles. We shifted from aluminium to glass fibre reinforced polyamide with exceptional heat resistance and strength in the intake manifold*2 built into the Toyota Corolla in 2000, thereby significantly reducing weight. This product has been widely used by automakers since. As an example, the Tumble Generation Valve (TGV)*3 was integrated into the resin intake manifold for horizontally opposed engines adopted in 2014, resulting in around a 40% reduction in weight compared with conventional aluminium.

*2 Part that supplies air to the engine interior

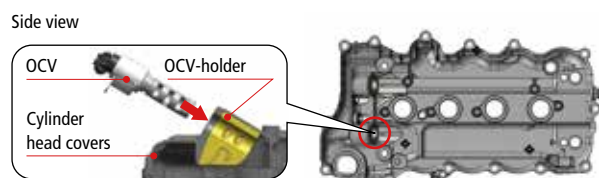
*3 Functional part that produces a swirling current in air sent to the engine to promote combustion of the air-fuel mixture



■ Expanded application of plastic cylinder head covers

With regard to cylinder head covers*4 for the engine, we are pushing ahead with the shift from aluminium to glass fibre reinforced polyamide possessing excellent workability, strength, heat resistance, oil resistance and durability. At the same time, the application of plastic cylinder head covers with an Oil Control Valve (OCV) to regulate the Variable Valve Timing (VVT) system was deemed difficult from the perspective of ensuring oil-tight capability due to the difference in thermal expansion between the OCV and plastic. To combat this, we used a separate aluminium housing (OCV-holder) where the OCV is fitted with the head cover by way of insert moulding. The housing was used with the OCV for the first time in the world in 2008 with the Toyota Yaris, achieving a 40% reduction in weight compared with aluminium. Since then, we have worked to expand application to other models for lighter weight and to contribute to the reduction of CO₂ throughout the life cycle.

*4 Cover that prevents engine oil from leaking



Establishment of Low-Carbon Society (Climate Change, CO₂)

The Toyota Boshoku group works to combat climate change in all areas, from development and design to production and logistics, in order to help create a low-carbon society and prevent global warming.

CO₂ emissions data that has been assured by an independent assurance provider is marked with  this assurance symbol (see page 70 for details).

Production and logistics

Reducing CO₂ emissions in production

Toyota Boshoku has been pushing ahead with activities to conserve energy. These include initiatives that enable

improvements immediately upon completion with zero investment, deemed priority actions by our Energy Conservation Session, as well as thoroughly implementing Energy-Just-in-Time (E-JIT) activities and examining energy conservation investments in consideration of future changes in production volume.

As a result, the Toyota Boshoku group achieved all of our targets for fiscal 2016. Specifically, we realised the Toyota Boshoku target of 62,280t-CO₂ with a result of 57,143t-CO₂, the Toyota Boshoku target of 19.1t-CO₂ per 1,000 units with a result of 18.1t-CO₂, and the Toyota Boshoku group target of 36.0t-CO₂ per 1,000 units with a result of 35.5t-CO₂.

Calculation of greenhouse gas emissions

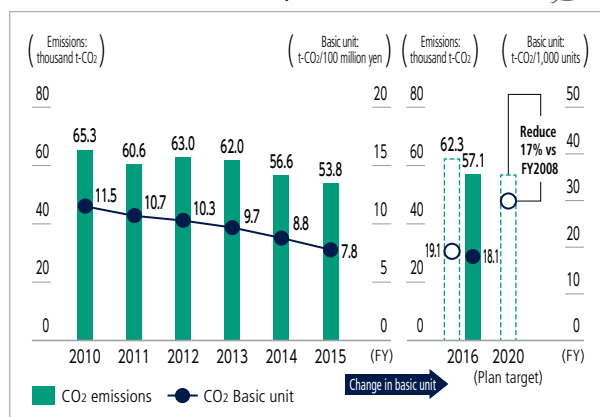
The CO₂ conversion coefficients have been fixed so that voluntary

CO₂ conversion coefficient

Fuel	CO ₂ conversion coefficient
Purchased electricity	0.37t-CO ₂ /MWh
City gas	2.16t-CO ₂ /thousand m ³
LPG	3.00t-CO ₂ /t
Kerosene	2.53t-CO ₂ /kL
Heavy oil	2.70t-CO ₂ /kL
Diesel oil	2.64t-CO ₂ /kL

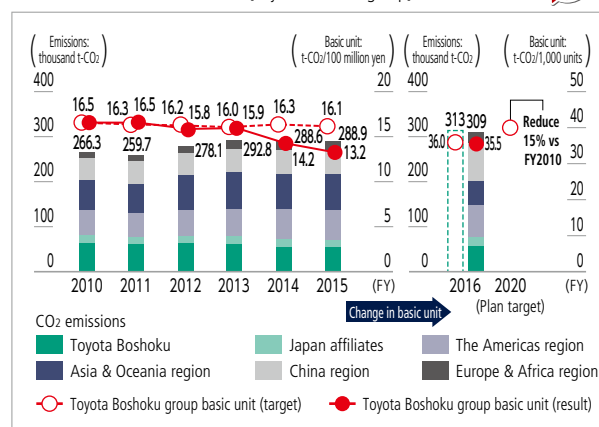
improvements can be evaluated. Japanese group companies use the values provided in the following table, while the power coefficient for regions outside Japan is calculated using country data from 2000 released by the International Energy Agency (IEA) in 2013.

CO₂ emissions and basic unit*1 [Toyota Boshoku]



*1 The Toyota Boshoku group shifted to using production volume instead of sales, which are susceptible to external factors, for the basic unit so that improvements are more accurately measured.

CO₂ emissions and basic unit [Toyota Boshoku group]



Reducing CO₂ emissions in logistics

As part of our Logistic Session,

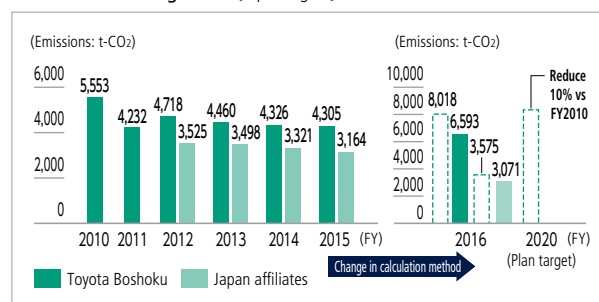
we regularly convene logistics promotion meetings and through connection between

plants and logistics companies work to reduce CO₂ emissions in logistics and reduce pollution caused by vehicles used in distribution. In addition, the cross-organisational deployment of best practices from each plant aids in efforts to vitalise activities between plants.

Further, we continue to participate in Toyota Group logistics and environmental liaison meetings to share the latest information and information on best practices from other companies.

As a result, Toyota Boshoku achieved its target of 8,018t-CO₂ with a result of 6,593t-CO₂ and Japan affiliates achieved their voluntary target of 3,573t-CO₂ with a result of 3,071t-CO₂.

CO₂ emissions in logistics*2 [Japan region]



*2 Toyota Boshoku shifted from the ton-kilometre method to a fuel economy method so that improvements are more accurately measured.

Establishment of Recycling-based Society (Water & Resources)

The Toyota Boshoku group incorporates the use of raw materials and other materials that can be recycled and considers product design and development with a view to the creation of a recycling-oriented society. We also work to reduce waste and water consumption in the production stage.



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



4 Challenge of minimising natural resources usage



5 Challenge of minimising wastes produced by the Toyota Boshoku group

Production and logistics

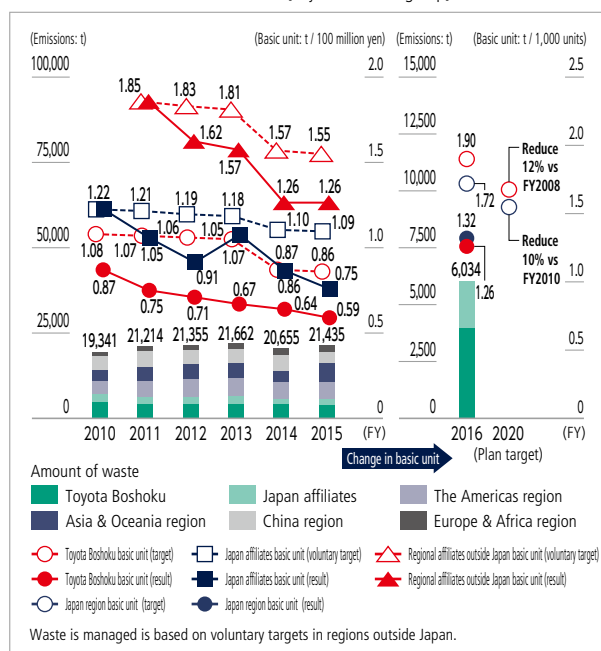
■ Waste reduction / Recycling activities

In our Production Session, we verified activities to reduce waste at each plant and are deploying best practices across the organisation. Specifically, we worked to reduce the defect rate, raise yields and other measures to reduce waste at the source as well as promoted recycling initiatives to transform waste into valuable items in the market.

As a result, we achieved the Toyota Boshoku group target of 1.72t per 1,000 units in the Japan region with a result of 1.32t per 1,000 units and the Toyota Boshoku target of 1.9t per 1,000 units with a result of 1.26t per 1,000 units.

Toyota Boshoku has achieved direct zero waste every year since fiscal 2007.

Amount of waste and basic unit*1 [Toyota Boshoku group]



■ Reducing the amount of packing and packaging materials

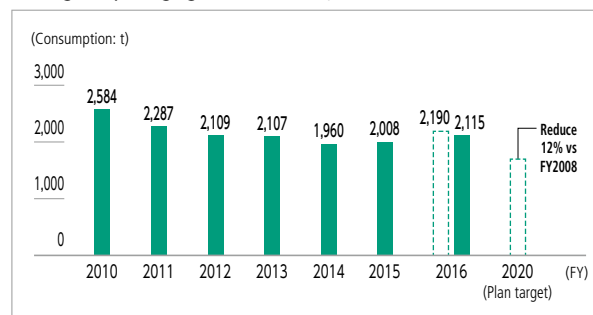
Toyota Boshoku works to ensure eco-friendly packaging while keeping intact the quality of the product.

In fiscal 2016, we succeeded in reducing packaging material by 74t compared with fiscal 2015 by making six different improvements and deploying other past improvements across the organisation.

As a result, Toyota Boshoku achieved its reduction target of 2,190t with a result of 2,115t.

*1 The Toyota Boshoku group shifted to using production volume instead of sales, which are susceptible to external factors, for the basic unit so that improvements are more accurately measured.

Packing and packaging material use [Toyota Boshoku]



■ Reuse of water resources

The Toyota Boshoku group continued implementing initiatives that place value on water in fiscal 2016,

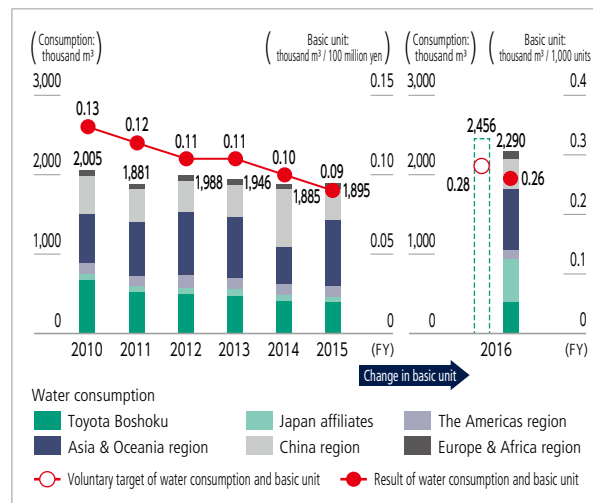
Water consumption [Toyota Boshoku group]



with a particular focus on sites with processes that consume a lot of water and sites with a large number of company members and a high volume of lifestyle-related water consumption. Efforts included reuse of rainwater, reclaimed water, cooling water and water purified with a Reverse Osmosis (RO) system, which served to reduce water consumption and enhance recycling.

As a result, the Toyota Boshoku group achieved its voluntary target of 280m³ per 1,000 units with a result of 260m³.

Water consumption and basic unit*1 [Toyota Boshoku group]



Establishment of Symbiotic Society (Biodiversity)



6

Challenge of planting 1.32 million trees as part of reforestation activities

The Toyota Boshoku group formulated the Toyota Boshoku Basic Policy of Biodiversity [Web](#) and is implementing activities to protect richness in biodiversity in order to realise a society in harmony with nature. Based on this policy, we promote activities aimed at protecting biodiversity such as reforestation activities.

Reforestation activities / Biodiversity protection activities

Toyota Boshoku has set the lofty “Challenge of planting 1.32 million trees as part of reforestation activities” from a long-term perspective as part of the 2050 Environmental Vision in order to curb depletion of the world’s forests, protect living forests and contribute to the restoration of rich habitats and plant trees that suit the land and contribute to the protection of endemic species’ local habitats.

■ Toyota Boshoku’s reforestation activities

Toyota Boshoku promotes reforestation activities based on the concept of Nurturing Nature, the third point of the Toyota Boshoku Basic Policy of Biodiversity, and to date, the group has planted approximately 356,000 trees over an area of 365 hectares, with proven results in each region.

Reforestation efforts continued in fiscal 2016 in each region to connect children of the future with the bounty provided by forests and biodiversity. As a result, a total of 16,000 trees were planted in fiscal 2016, far exceeding the target of 7,000.



Reforestation in Kashimo (Japan)



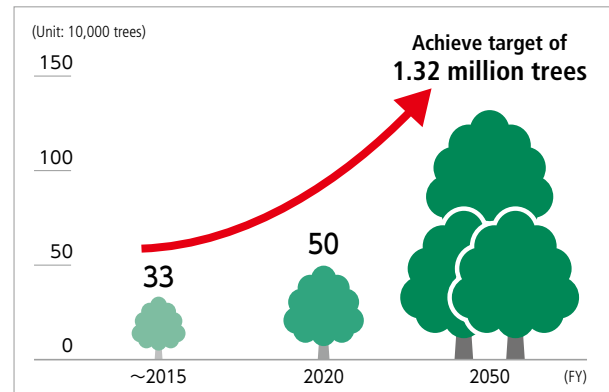
Reforestation in Indonesia



Toyota Boshoku Philippines tree-planting activity



Toyota Boshoku Gateway (Thailand) tree-planting activity



■ All Toyota Green Wave Project

Toyota Boshoku participates in the Green Wave Project, an activity being implemented by all of Toyota since fiscal 2015 with the aim of creating a society that is in harmony with nature. The project entails activities to connect communities toward harmony with nature with the aim to contribute to restoration and enhancement of biodiversity and ecosystems.

The project was continued in fiscal 2016 and incorporated participation in integrated events that connected all of the activities by all of Toyota and a trend survey that included visualisation of natural capital*.

Going forward, we will expand these activities throughout the Toyota Boshoku group to increase the scope of reforestation and protection for biodiversity for both all Toyota and Toyota Boshoku group activities.

* Capital formed through nature such as forests, soil, water, air and living resources
This approach treats the natural environment as one of the most important aspects of capital supporting life and the management foundations of a company.



All Toyota Green Wave Project
All Toyota Harmony with Nature Working
オールトヨタ グリーンウェーブ プロジェクト



Fujimae Higata cleanup challenge



Tidal flat observation

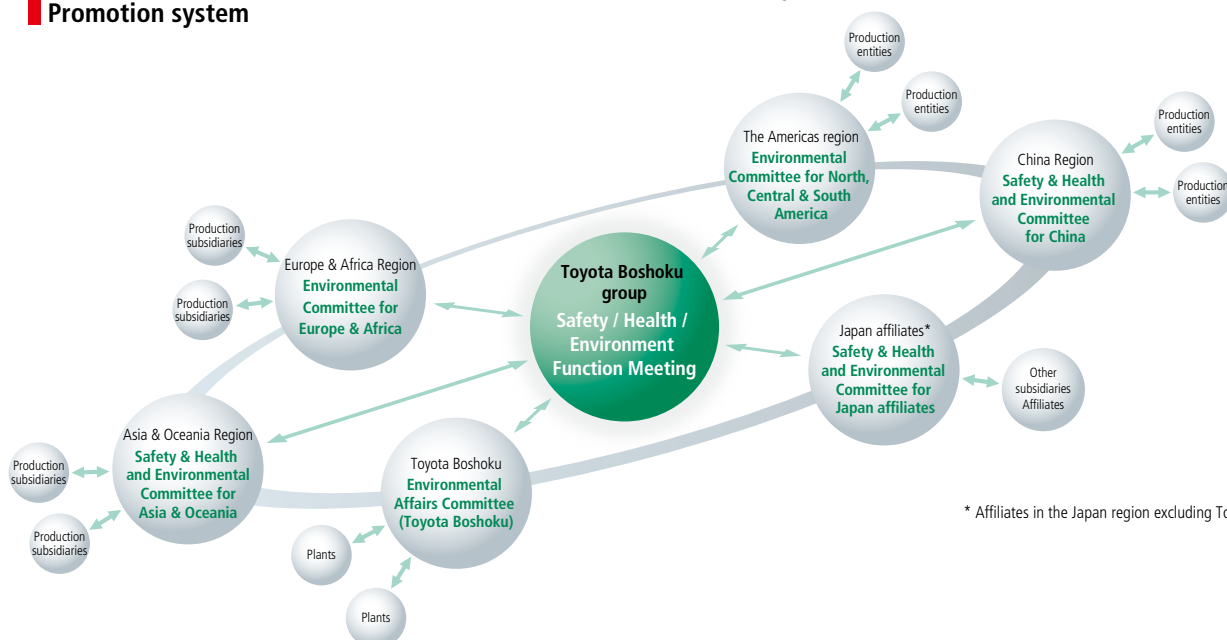
Environmental Management

Based on the TOYOTA BOSHOKU Earth Charter [Web](#) and in concert with our 2050 Environmental Vision and 2020 Environmental Action Plan, we will make collective efforts as a group to implement activities to conserve the global environment in order to realise a sustainable society.

Promoting environmental management

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

Promotion system



* Affiliates in the Japan region excluding Toyota Boshoku

Environmental Affairs Committee (Toyota Boshoku)

This committee makes on-going efforts aimed at strengthening product environmental and production environmental activities and checks the environmental activities being undertaken at each plant via *genchi-genbutsu* with a view to achieving the goals of the 2020 Environmental Action Plan. It has also ensured that best practices are deployed across the organisation. All of the committee's objectives were achieved for fiscal 2016.

Status of activities by committee

Committees in each region promote environmental activities with the following four areas marked as priorities.

1. Activities to ensure zero abnormalities and complaints
2. Activities to reduce environmental impact

Safety / Health / Environment Function Meeting

The Safety / Health / Environment Function Meeting sets the desired direction for the Toyota Boshoku group's environmental activities (product environmental and production environmental aspects), confirming progress and following up on actions, and holding deliberations as well as supervises overseas related committees in each region.

3. Activities for the management of chemical substances at plants
4. Activities related to ISO 14001 certification

Although the environmental issues being dealt with at the state and regional level differ, the Toyota Boshoku group has set high standards for all of its activities, which can be managed and implemented by each committee. The Safety / Health / Environment Function Meeting confirms the progress of all committees.

Initiatives are being introduced related to climate change measures, a priority area under the 2050 Environmental Vision and 2020 Environmental Action Plan formulated in 2016. These initiatives were core to our efforts in fiscal 2016.

Energy conservation diagnostics in the Asia & Oceania region

Energy conservation diagnostics were conducted in the Asia & Oceania region in June 2016. This kind of diagnostics refers to efforts to verify the status of energy consumption at plants and business sites via *genchi-genbutsu* and activities to make improvements that lead to a reduction in CO₂ emissions and costs.

On this occasion, energy conservation diagnostics were conducted at a newly built plant. Around 15 areas were earmarked for improvement and checks undertaken regarding each improvement together with local staff.

Going forward, we will continue to implement these diagnostics through *genchi-genbutsu* in each country and region to reduce CO₂ emissions and costs at each site.

Strengthen the chemical substance management system

Creating a management system for chemical substances

The Toyota Boshoku group is taking steps to manage chemical substances in all business activities from development and design to production and packaging.

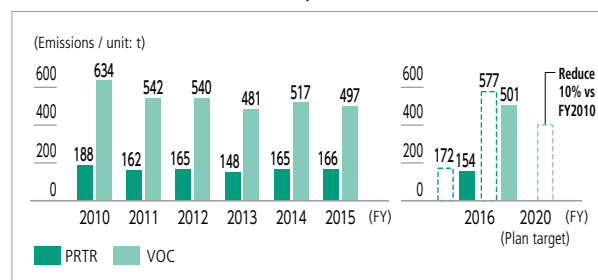
Management area	Product development and design	Production environment (work environment)	Mass-produced products	Packing / packaging materials
Material classification				
Component			Mass-produced product	
External product	Design drawing			
Raw materials making up product	Surface materials, etc., with no impact on environment, etc.			
Adhesives, etc., that impact environment, etc.				
Secondary materials	Coating for repairs, etc., that may adhere to products	Atmosphere Water Work environment Waste		
Equipment cleaners, etc., that do not adhere to products				
Packing / packaging materials, cardboard, etc.				Packing / packaging materials

Activities to reduce emissions of chemical substances

We are undertaking activities to reduce the amount of Volatile Organic Compounds (VOC) and Pollutant Release and Transfer Register (PRTR) substances used and emitted from plants. This includes optimising areas to be coated and reducing the incidence of recoating by revising the mould release agent coating method and reducing the consumption of coating material by improving the cleaning method.

As a result, we achieved our target of 577t of VOC substances with a result of 501t and our voluntary target of 172t of PRTR with a result of 154t.

PRTR substances / VOC emissions [Toyota Boshoku]



Initiatives for legal compliance / Environmental risk management

In order to prevent environmental accidents and pollution, we conduct environmental risk management based on voluntary standards that are stricter than regulations require. In addition, we conduct risk management with value placed on the perspective of local people. Our environmental risk map is used in this regard. An environmental risk map is a tool to visualise risk around a plant

and on premises, strengthen inspection standards and enable environmental patrols. Responsible persons at each plant carefully visualise risk and conduct patrols so that the latest information is always incorporated into the risk map.

As a result, we achieved zero abnormalities and complaints in the Toyota Boshoku group.

ISO 14001 acquisition status

The Toyota Boshoku group conducts activities in a planned manner at all production sites during a transitional phase up to September 2018 so that each site can be shifted completely to ISO 14001: 2015 edition.

External audits

Audits were carried out by a certification body in each country and region in a systematic manner in fiscal 2016 as well, with all plants subject to the audit evaluated as having zero non-conformance items and operating all required ISO 14001 items appropriately.

Strengthening environmental education to pass environmental conservation activities on to future generations

Environmental education to local children

Toyota Boshoku has implemented a programme since fiscal 2013 that involves visiting local elementary schools to introduce the environmental activities being undertaken by Toyota Boshoku to children and get them to think about environmental conservation activities they could undertake themselves. In fiscal 2016, three of the key areas we wanted to convey were mitigating global warming, reducing waste and conserving water resources. We had the children think about activities that they could do at school and home through group discussions.

In addition, we conducted factory tours as part of our environmental education, in which they had the chance to observe wastewater treatment facilities and engage in simple experiments related to wastewater processing. The children appeared very thoughtful throughout the tours and experiments.

Toyota Boshoku will continue to expand these activities and contribute to the education of future leaders for a sustainable earth.



Visiting education programmes



Sanage Plant tour

Month in February. In June 2016, we invited Ms. Mayumi Matsumoto, Visiting Associate Professor at The University of Tokyo, to give a talk and her topic concerned the role of companies in undertaking efforts to mitigate global warming and preserve biodiversity for the future. In February 2016, Mr. Kiyohiko Ikeda, professor of the School of International Liberal Studies at Waseda University gave a talk on environmental management with a view to 10 years in the future. Both talks concerned the expectations for and responsibilities of companies regarding environmental conservation, which served to boost awareness among company members, including management. An exhibition related to energy conservation was also held in February 2016, where manufacturers of energy-saving equipment showcased technologies and products related to improvements in energy conservation. Representatives from each manufacturer explained how the equipment worked, which will serve as a great reference when implementing concrete energy conservation programmes and installing energy-saving equipment.

Going forward, Toyota Boshoku will work to further improve its environmental conservation activities by nurturing company members with high environmental awareness.



Exhibition related to energy conservation

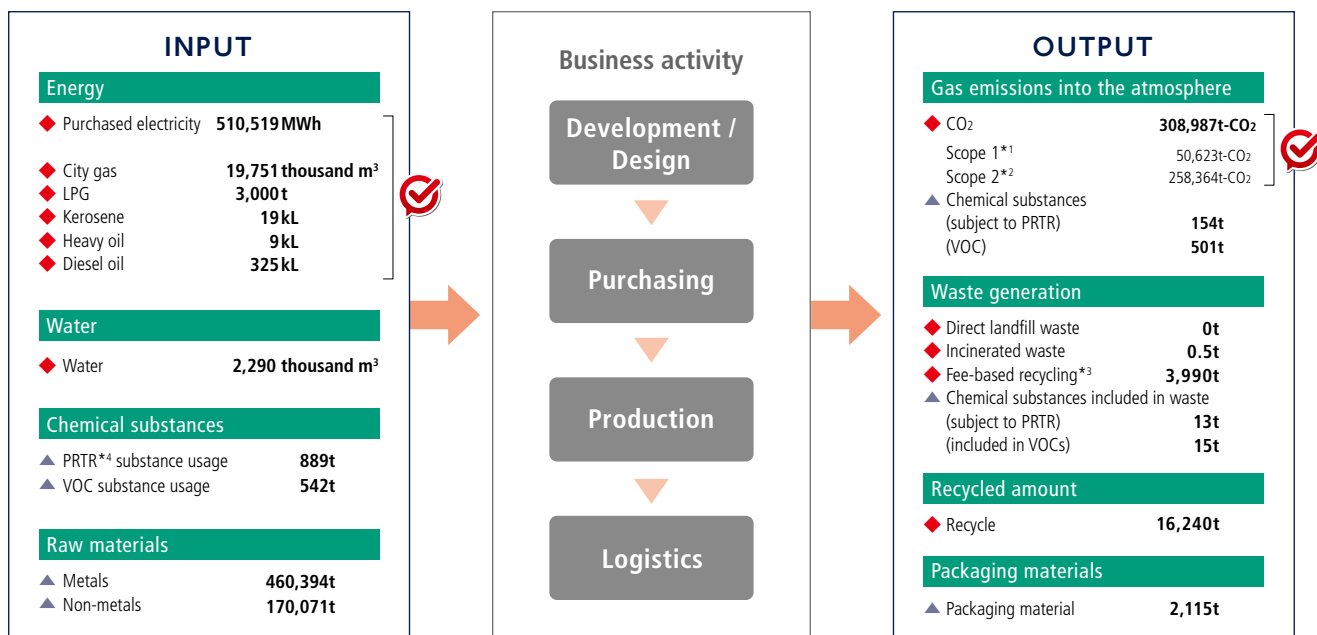
Environmental education to company members

Toyota Boshoku conducts a variety of activities as part of Environment Month in June and Energy Conservation Awareness

CO₂ emissions data that has been assured by an independent assurance provider is marked with  this assurance symbol (see page 70 for details).

Our business activities and the environment (Resource consumption for business activities and emissions causing environmental impact)

Resource consumption for business activities and emissions causing environmental impact in fiscal 2016



*1 Direct discharge of greenhouse gas from operators themselves (fuel combustion, industrial processing) / Targeting city gas, LPG, kerosene, heavy oil and light oil in the Toyota Boshoku group

*2 Indirect discharge that comes from electricity, heat and steam supplied from other companies / Targeting electricity in the Toyota Boshoku group

*3 Waste that is recycled for a fee *4 Pollutant Release and Transfer Register

Environmental accounting

The Toyota Boshoku group believes that it is important to assess the effectiveness of our investment and cost in terms of environmental conservation in order to improve the efficiency of administration and make rational decisions.

Cost of environmental conservation

In fiscal 2016, environmental accounting recorded investment of 1,712 million yen, costs of 2,778 million yen and economic effects of 2,589 million yen.

(Unit: Millions of yen)

Environmental accounting	Toyota Boshoku		Japan affiliates		Regions outside Japan	
	Investment amount	Cost amount	Investment amount	Cost amount	Investment amount	Cost amount
Pollution prevention	121	121	77	64	207	364
Business area cost	575	174	78	21	474	146
Global environmental conservation	27	274	4	179	22	237
Resource circulation	0	343	0	48	0	328
Administration cost	127	435	0	5	—	—
R&D cost	0	18	0	7	0	13
Social activity cost	0	0.06	0	0	0	0
Environmental remediation cost	850	1,366	159	324	703	1,087
Subtotal	Investment amount	1,712	Cost amount	2,778		

Depreciation and amortisation is not included in the costs.

Economic effects of environmental conservation measures

The economic effects of our environmental conservation measures were calculated from three ascertained items that were based on a sound rationale. Deemed effects such as risk avoidance effects are not taken into account.

Material effects of environmental conservation measures

Examples of improvements in waste reductions and reductions in CO₂ emissions are provided in this report on pages 63-64.

(Unit: Millions of yen)

Economic effects	Toyota Boshoku	Japan affiliates	Regions outside Japan
Cost reduction through energy conservation	111	15	91
Resource saving & reduction of waste disposal costs	558	58	1,278
Profit on sale of recycled materials	218	1	259
Aggregate	2,589		


(Unit: t-CO₂)

Material effects	Toyota Boshoku	Japan affiliates	Regions outside Japan
Energy conservation	3,155	430	2,599

(Unit: t)

Material effects	Toyota Boshoku	Japan affiliates	Regions outside Japan
Waste disposal	866	689	1,662


Independent Assurance

We engaged KPMG AZSA Sustainability Co., Ltd. to express an assurance conclusion as to whether our CO₂ emissions in production disclosed in this report have been prepared and presented in accordance with Toyota Boshoku's reporting criteria. CO₂ emissions data that has been assured is marked with the assurance symbol .



Independent Assurance Report

To the President of Toyota Boshoku Corporation

We were engaged by Toyota Boshoku Corporation (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with  for the period from April 1, 2016 to March 31, 2017 (the "Indicators") included in its TOYOTA BOSHOKU REPORT 2017 (the "Report") for the fiscal year ended March 31, 2017.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Company's Gifu plant selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
August 30, 2017

Management's Discussion and Analysis of Financial Conditions and Operating Results

Overview of fiscal year

In the automobile industry during the fiscal year under review (year ended March 31, 2017), in the United States the volume of vehicle sales, centring on SUVs and pickup trucks, posted an increase supported by low gasoline prices and a steady recovery in the economy and employment. In Europe, despite some instabilities in the EU, unit sales of vehicles also trended firmly due to the stabilising economy. In emerging countries, although unit sales of vehicles were sluggish in resource-producing countries due to falling oil prices, unit sales in other regions were relatively strong. In Japan, the volume of sales of standard-sized cars trended firmly due to the introduction of new models and sales volume surpassed 5 million units, marking the first increase in three years.

Meanwhile, there are rising expectations that a society with a changed environment surrounding automobiles will soon arrive due to the acceleration of such technological innovation as the Internet of Things (IoT) and artificial intelligence (AI) and the advance of automated driving.

Amid these conditions, the Toyota Boshoku group designated the two-year period up to fiscal 2016 as a time for strengthening our corporate structure and we returned to our starting point, solidified our footing and carried out structural reforms. Additionally, we formulated our Mid-term Business Plan for Implementation aimed at achieving sustainable growth upon clarifying the desired status we aim to achieve based on expectations for the future in 2030.

Regarding technology development, based on the concept of Toyota New Global Architecture (TNGA), our second model new standard frame for seats was installed in Toyota compact SUVs. We also opened the Toyota Boshoku America Silicon Valley Office in April 2016. In collaboration with the Research Laboratories in Japan and development centres in each region worldwide, we will further strengthen our information research and analysis on advanced technologies related to automated driving and automobile interior spaces.

With the environment surrounding automobiles expected to undergo major changes, the functions and value being demanded in automobile seats are also set to change at an accelerating speed never before seen. In view of this trend, in March 2017 Toyota Boshoku and Tachi-S Co., Ltd. concluded a business partnership agreement to reinforce their respective competitiveness in the global automobile seat market. In the future, the two companies will mutually use their knowledge, know-how and business resources with a view to strengthening their competitiveness further.

Despite increased unit production in the Europe region, consolidated net sales of the Toyota Boshoku group decreased 57,859 million yen (4.1%) to 1,357,913 million yen due to the impact of exchange rates.

Operating income

Despite such income-reducing factors as the impact of product price fluctuations and the impact of exchange rates, operating income increased 12,443 million yen (20.9%) to 71,936 million yen due to such income-increasing factors as the impact of higher sales and the implementation of rationalisation measures.

Non-operating income (expenses) and Ordinary income

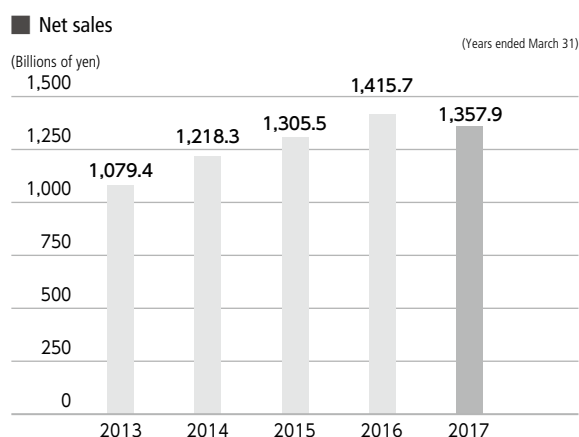
Non-operating income increased 3,583 million yen (53.3%) from the previous fiscal year to 10,305 million yen due to miscellaneous income related to business restructuring in Europe.

Non-operating expenses decreased 5,074 million yen (50.3%) to 5,017 million yen due to the impact of exchange rates.

As a result, ordinary income amounted to 77,224 million yen and the ordinary income margin was 5.7%.

Extraordinary income or loss, Income taxes and Income taxes-deferred

Regarding extraordinary income or loss, extraordinary income of 3,585 million yen was recorded due to insurance income and an



- Scope of consolidation
- Application of the equity method

The consolidated financial statements include the accounts for all subsidiaries.
Investments in all affiliates are accounted for by the equity method.
The fiscal years for certain affiliates accounted for by the equity method are different from that of the Company.
The Company is using the financial statements for their respective fiscal years.



IR Library

extraordinary loss of 1,730 million yen was recorded due to an impairment loss on fixed assets.

Income taxes and income taxes—deferred increased 12,428 million yen (97.8%) to 25,142 million yen.

The ratio of income before income taxes decreased from 53.1% in the previous fiscal year to 31.8%.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased 1,248 million yen (17.0%) to 8,577 million yen from the previous fiscal year due mainly to increases in profits of consolidated subsidiaries in North, Central & South America. Net income per share amounted to 244.28 yen.

Cash flow

Net cash provided by operating activities amounted to 95,389 million yen. Despite such cash-decreasing factors as income taxes paid of 19,666 million yen and an increase in trade notes and accounts receivable of 10,903 million yen, the increase in cash resulted mainly from income before income taxes of 79,079 million yen and depreciation and amortisation of 36,228 million yen.

Net cash used in investing activities was 48,927 million yen. Despite such cash-increasing factors as proceeds from sales of property, plant and equipment of 1,055 million yen, this was due to such cash outflows as purchase of property, plant and equipment of 31,439 million yen and payments resulting from liquidation of

business of 11,149 million yen.

Net cash used in financing activities was 61,347 million yen. Despite such cash-increasing factors as a net increase in long-term loans payable of 1,083 million yen, cash decreased due to repayments of long-term loans payable of 39,468 million yen and a net decrease in cash and cash equivalents of 24,538 million yen.

Capital expenditures

During the fiscal year under review, total capital expenditures amounted to 35,500 million yen and these investments were concentrated on measures for new products and for rationalising and upgrading production facilities. These consisted mainly of capital expenditures in Japan.

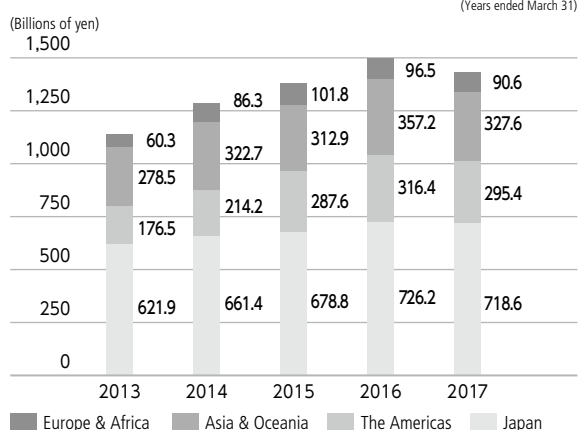
Capital expenditures in Japan amounted to 21,103 million yen and were for measures for new products and for rationalising and upgrading production facilities.

Capital expenditures in The Americas amounted to 5,939 million yen and were mainly for measures for new products and for rationalising and upgrading production facilities and expanding plants at subsidiaries in the United States.

Capital expenditures in Asia & Oceania amounted to 5,919 million yen and were mainly for measures for new products and rationalising and upgrading production facilities.

Capital expenditures in Europe & Africa were 2,538 million yen and were mainly for measures for new products and rationalising and upgrading production facilities.

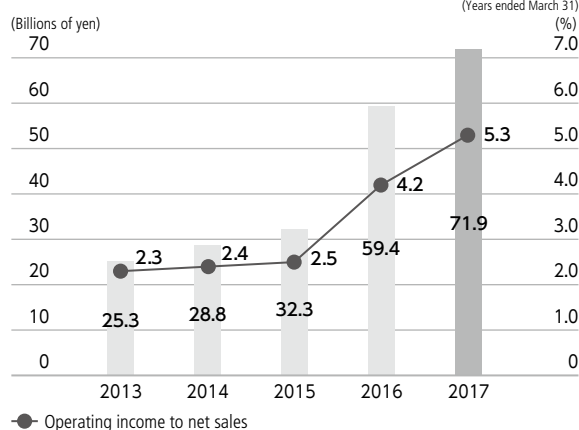
Net sales by geographic region



* Asia & Oceania includes China.

* Adjusted amounts for transactions among regions are not included.

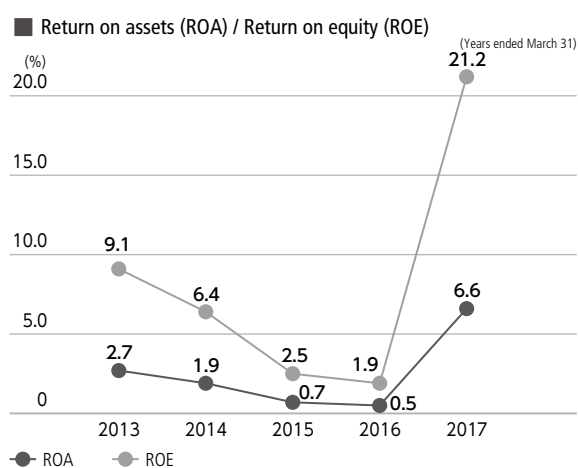
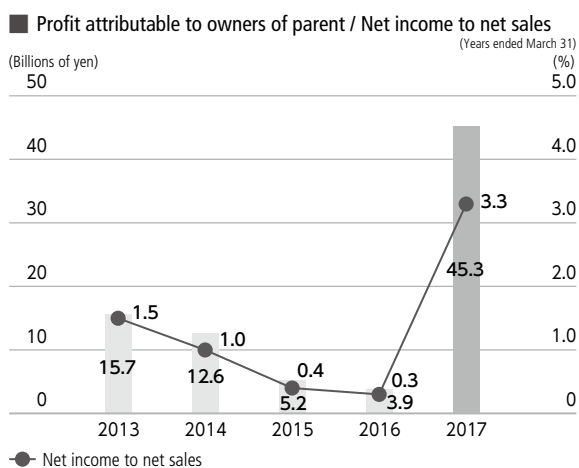
Operating income / Operating income to net sales



10-Year Financial Summary

	2017	2016	2015	2014
Net sales	¥ 1,357,913	¥ 1,415,772	¥ 1,305,502	¥ 1,218,399
Operating income	71,936	59,492	32,393	28,823
Ordinary income	77,224	56,123	41,091	40,294
Profit (loss) attributable to owners of parent	45,359	3,900	5,204	12,610
Total net assets	276,274	243,146	264,038	249,082
Capital stock	8,400	8,400	8,400	8,400
Total assets	691,921	725,895	719,680	659,008
Capital expenditures	35,500	36,898	50,190	51,116
Depreciation and amortisation	36,228	41,012	40,121	36,302
R&D expenses	37,884	38,450	38,821	40,189
Per Share Data (Yen)				
Net income (loss) (Basic)	¥ 244.28	¥ 21.02	¥ 28.08	¥ 68.05
Net income (Diluted)*	244.27	21.02	—	—
Cash dividends	50.00	30.00	18.00	18.00
Net assets	1,240.77	1,065.72	1,164.36	1,115.69
Cash Flow				
Net cash provided by operating activities	¥ 95,389	78,912	65,536	49,590
Net cash provided by (used in) investing activities	(48,927)	(48,086)	(51,615)	(51,867)
Net cash provided by (used in) financing activities	(61,347)	(8,739)	516	(5,636)
Cash and cash equivalents	144,889	160,904	143,493	126,648
Financial Indicators (%)				
Operating income to net sales	5.3	4.2	2.5	2.4
Ordinary income to net sales	5.7	4.0	3.1	3.3
Return on assets (ROA)	6.6	0.5	0.7	1.9
Return on equity (ROE)	21.2	1.9	2.5	6.4
Capital adequacy ratio	33.3	27.3	30.0	31.4
Shareholders' Equity (at fiscal year-end)				
Number of shares issued (Thousands)	187,665	187,665	187,665	187,665
Number of employees	41,428	41,624	41,509	38,198

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



Years ended March 31

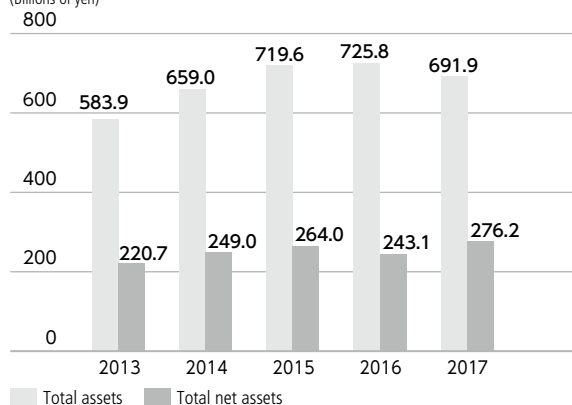
Millions of yen

2013	2012	2011	2010	2009	2008
¥ 1,079,497	¥ 964,295	¥ 983,727	¥ 953,729	¥ 979,775	¥ 1,233,789
25,302	20,910	36,856	25,143	14,054	65,596
33,914	23,225	36,027	24,067	13,292	65,696
15,792	3,232	11,466	6,882	(5,064)	40,720
220,740	190,347	196,992	196,545	189,038	226,880
8,400	8,400	8,400	8,400	8,400	8,400
583,955	597,654	504,472	546,486	466,506	527,622
36,805	37,583	41,229	43,076	60,496	52,961
32,744	31,529	32,342	35,121	31,672	32,940
36,321	32,543	32,434	30,021	28,968	31,717
¥ 85.23	¥ 17.45	¥ 61.82	¥ 37.00	¥ (27.15)	¥ 217.76
—	—	61.82	37.00	—	217.55
18.00	16.00	16.00	13.00	20.00	35.00
1,010.49	868.93	890.78	883.96	848.01	997.43
44,474	46,920	60,630	64,188	35,111	72,371
5,826	(76,108)	(40,462)	(41,337)	(67,739)	(52,434)
(41,942)	30,748	(15,345)	(13,547)	47,525	16,053
129,323	113,947	113,950	113,124	102,457	92,280
2.3	2.2	3.7	2.6	1.4	5.3
3.1	2.4	3.7	2.5	1.4	5.3
2.7	0.5	2.3	1.3	—	7.7
9.1	2.0	7.0	4.3	(2.9)	23.5
32.1	26.9	32.7	30.1	33.9	35.3
187,665	187,665	187,665	187,665	187,665	187,665
32,986	31,883	27,856	27,613	27,078	26,942

■ Total assets / Total net assets

(Billions of yen)

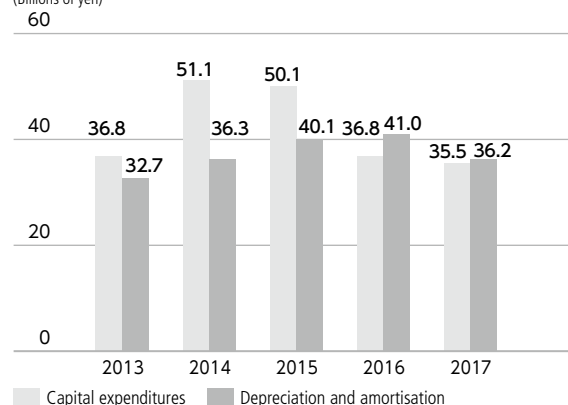
(Years ended March 31)



■ Capital expenditures / Depreciation and amortisation

(Billions of yen)

(Years ended March 31)



Investor Information / Directors, Audit & Supervisory Board Members and Managing Officers

As of March 31, 2017

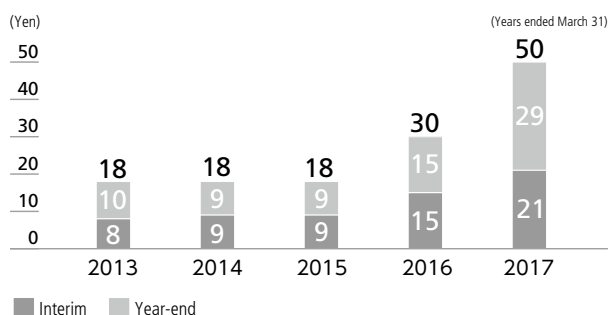
Total Number of Shares

Number of shares authorised to be issued	500,000,000
Number of shares outstanding	187,665,738
	(Including treasury stock of 1,958,154)

Number of Shareholders

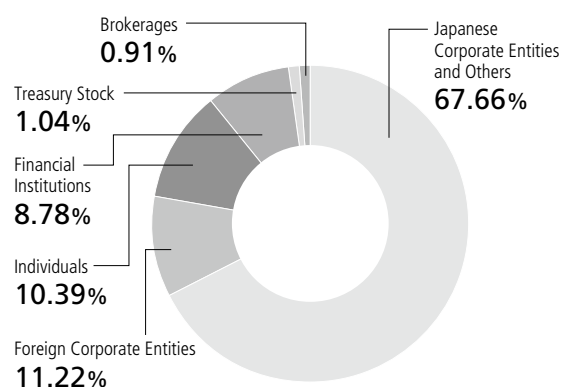
12,226

Dividends



Based on a stance to maintain stable dividends, the Company's basic policy is to pay dividends that meet the various expectations of shareholders upon comprehensively considering such factors as consolidated business results and the payout ratio. In fiscal 2016, the Company paid annual cash dividends per share of 50 yen, including an interim dividend of 21 yen and a year-end dividend of 29 yen.

Breakdown of Shareholders



Corporate Data

Location	1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
Capital	8.4 billion yen
Number of employees	8,206 (non-consolidated) 41,428 (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

Directors, Audit & Supervisory Board Members and Managing Officers

As of June 13, 2017

Directors and Auditors

Chairman	Shuhei Toyoda
President	Yoshimasa Ishii
Executive Vice Presidents	Takamichi Taki
	Takeshi Numa
	Kohei Hori
Directors	Yasuhiro Fueta
	Masahiro Morikawa* ¹
	Takeshi Ogasawara* ¹
	Kazue Sasaki* ¹
	Nobuaki Kato* ¹
Standing Audit & Supervisory Board Members	Tokuji Yamauchi
	Terukatsu Mizutani
Audit & Supervisory Board Members	Shinichi Sasaki* ²
	Hitoshi Yoshida* ²

*¹ Outside Director*² Outside Audit & Supervisory Board Member

Executive Managing Officers and Managing Officers

Executive Managing Officers	Sunao Yamamoto
	Teruo Suzuki
	Yoshihiro Ito
	Yasushi Minami
	Masaya Ishii
	Masanobu Ishikawa
	Ikuo Mochizuki
	Shinji Kano
Managing Officers	Manabu Hachisuka
	Hiroshi Ioki
	Toshiyuki Kawasaki
	Hirokazu Kamenno
	Hiroki Tsunoda
	Kazuo Koide
	Ikutomo Sakai
	Yasuhiro Fueta* ³
	Shouji Adachi
	Masamichi Sobajima

*³ Concurrently serves as Director

Third-Party Comments regarding *Toyota Boshoku Report 2017*



Professor
Katsuhiko Kokubu
Graduate School of Business
Administration
Kobe University

Professor Katsuhiko Kokubu completed his Ph.D. in business administration at the Graduate School of Business Administration of Osaka City University and assumed his current position from 2001 after serving as assistant professor at Osaka City University and Kobe University. He is the Convenor of the ISO/TC207/WG8 (working group on material flow cost accounting) and Chairman of Material Flow Cost Accounting (MFCA) Forum Japan. His majors are environmental accounting, environmental management and CSR management. Professor Kokubu has published more than 15 books including *Foundation for Corporate Social Responsibility* (Chuokeizai-sha, Inc.), *Low Carbon Supply Chain Management* (Chuokeizai-sha, Inc.) and *Material Flow Cost Accounting* (Nikkei Publishing Inc.). Professor Kokubu serves as the committee chairman and a committee member on various committees of the Ministry of Economy, Trade and Industry and the Ministry of the Environment.

CSR activities linked with the Mid-term Business Plan for Implementation

In 2016, the Toyota Boshoku group formulated the Mid-term Business Plan for Implementation 2020 and under the plan will aim for “corporate growth while fulfilling our responsibility in harmony with society,” “sustainable growth” and “enhancement of our corporate value on a medium-to-long-term basis and distribute to our stakeholders what we have achieved.” These objectives are all closely connected with Toyota Boshoku’s corporate social responsibility (CSR) activities and therefore demonstrating this stance of undertaking management centred on CSR in this manner can be highly commended. President Ishii’s enthusiasm regarding this point is thoroughly conveyed in the Top Dialogue. A structure for promoting CSR led by the Corporate Planning Division with company-wide oversight has been established and key performance indicator (KPI) categories for CSR can now be established and managed from a company-wide perspective. This can be regarded as a huge advancement in CSR activities. Targets and results have also been quantified to the greatest extent possible and are being systematically managed. I have expectations for the operation of this structure in the future.

Comprehensive CSR activities

One more characteristic of the Toyota Boshoku group’s CSR activities is the comprehensiveness of these activities. The style of reporting is also persuasive because numerous executives with responsibility, not just the president, appear in the report and explain CSR activities from the perspectives of their own areas of authority. Numerous pages have also been allocated to governance and members and unique innovative approaches such as evaluating the effectiveness of the Board of Directors and work style reform with respect for diversity can be seen everywhere in the report. Regarding the environment, Toyota Boshoku is steadily implementing the 2020 Environmental Action Plan for realising its 2050 Environmental Vision. The targets for 2050, namely zero CO₂ emissions and minimising natural resources usage, are challenging targets. Nonetheless, scientific evidence will become required to realise these targets and therefore I would like to see Toyota Boshoku sufficiently consider this point while thinking of its next plan for 2030.

Taking on challenges towards the SDGs

Although there were references to the United Nations Sustainable Development Goals (SDGs) in this report, there did not yet appear to be any explanations regarding specific activities. I think it would be desirable to consider checking the Toyota Boshoku group’s activities against the SDGs and implement the common points from a global perspective. I recommend that you consider responses for any possibly related issues, even if you have not yet started addressing these issues. In such a case, it would be desirable to carry out bottom-up type activities that are already deeply rooted in the awareness and interest of each and every member. I have expectations that the powers of young members will play an active role in anticipation of 2030, which is the target attainment deadline for the SDGs. I also have strong hopes that top-down systematic CSR management will be combined with bottom-up diverse CSR implementation and that new social value will be created.



Executive Managing Officer
Teruo Suzuki

Response to the third-party comments

Under the Mid-term Business Plan for Implementation 2020, the Toyota Boshoku group is working in unison in undertaking various initiatives for sustainable development in anticipation of the future. In this report, we convey these initiatives and issues, which also include explanations by respective personnel in responsible positions. Of particular note, we reviewed the structure for CSR activities while the implementation themes for these activities recognise linkages with the Mid-term Business Plan for Implementation. By taking this approach, we aimed to enhance the content of the report more than ever before, which included increasing new items such as promoting work style reform.

Professor Kokubu highly applauded these points, and based on his comments, we will continue to enhance our CSR activities and undertake initiatives aimed at being a trusted company that grows together with all stakeholders.

Regarding Professor Kokubu’s opinion about initiatives towards the SDGs, we accept that this is an issue for advancing our CSR activities and KPI indicators towards being even more internationally recognised, and we will use this opinion in our future activities. At the same time, we will firmly reflect the results in our report as we further enhance our report.

In the future as well, we will listen intently to the opinions of our stakeholders throughout the world and will continue to concentrate efforts towards realising our desired status.



1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
<https://www.toyota-boshoku.com/global/>



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