Editorial Policy
The Toyota Boshoku group is striving as a unified whole to overcome challenges to drive sustainable growth based on our 2020 Management Plan with the aim of realising our vision. This Integrated Report outlines the results of activities over the past year and future challenges, referring to numerous case examples of specific initiatives and interviews centred on our value creation story.

In the preparation of this report, we have referred to the International Integrated Reporting Framework (International <IR> Framework) advocated by the International Integrated Reporting Council and taken care to create easy-to-understand content for our readers. In the future as well, we intend to reflect the opinions of our readers and stakeholders and further evolve this report as an Integrated Report.

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

- Toyota Boshoku group: Japan, The Americas, Asia & Oceania, China and Europe & Africa regions
- Toyota Boshoku Corporation
- 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 2019 (from April 1, 2018 to March 31, 2019). Some information on previous or later activities is also included.

Reference Guidelines
- IIRC International Integrated Reporting Framework (International <IR> Framework)
- GRI Sustainability Reporting Standards (GRI Standards)
- ISO 26000
- Environmental Reporting Guidelines (Fiscal Year 2018 Version)
- Environmental Accounting Guidelines 2005

Cautionary statement with respect to forward-looking statements
This report contains forecasts and expectations that relate to future plans and strategies in addition to the expected financial results of Toyota Boshoku Corporation and the Toyota Boshoku group. These statements are not based on actual results from the past. Rather, they are estimates based on assumptions and opinions that have been formed by the Company from the information available at the time of writing.

They also involve risks and uncertainties relating to economic trends, the severe competition affecting the automobile industry and changes in global demand, taxation regulations, laws, systems, natural disasters and other matters. Accordingly, actual results may differ from the Company’s forecasts.

Numerical values of financial results
Numerical values on financial results have been rounded off in this report.
The Toyota Boshoku group undertakes its business at development and manufacturing bases in the various countries and regions throughout the world.

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

**Business Overview**

<table>
<thead>
<tr>
<th>Location</th>
<th>1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>8.4 billion yen</td>
</tr>
<tr>
<td>Founded</td>
<td>1918</td>
</tr>
<tr>
<td>Established</td>
<td>1950</td>
</tr>
</tbody>
</table>

| Business development      | 26 countries and regions                          |
| Number of sites           | 97 companies (including Toyota Boshoku)          |
| Net sales                 | 1,417.3 billion yen (ended March 31, 2019)       |

**Global Network**

- **Global Mainstay Hub**
- **Regional Management & Collaboration Hubs (RM&CH)**

**One Hub per Region**

Along with close cooperation between the RM&CH and the Global Mainstay Hub, RM&CH work together with production entities in respective regions as part of the “one hub per region” structure.
Our three business domains provide the ultimate mobility life for customers around the world.

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

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

Message from the Segment Chief of the Seat Business Segment

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

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

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

Message from the Segment Chief of the Unit Components Business Segment

**Automobile Seats**
Sports seats (For automobile racing)

**Interior Components**
Interior system

**Filters**
Air filters
Oil filters
Cabin air filters
Others

Non-automobile Seats

Railway seats (Photo provided by East Japan Railway Company)

Aircraft seats

Textile Components

Seat fabrics

Curtain-shield airbags

Seatbelt webbings

Exterior Components

Bumpers

Fender liners

Package trays

Door trims

Headliners

Illuminations

Seat

Interior & Exterior Unit Components

Aircraft seats

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)
Financial / Non-Financial Highlights

Over the years, the Toyota Boshoku group has made efforts to strengthen competitiveness and management foundations throughout the organisation, thereby steadily enhancing profit-making capability since fiscal 2009. To swiftly respond to changing customer and society needs, in recent years we have accelerated investment and initiatives for the future that boost economic value and contribute to social value.

From fiscal 2019 the Toyota Boshoku group has adopted International Financial Reporting Standards (IFRS) and figures for fiscal 2018 have also been restated based on IFRS.
## Non-Financial Highlights

### CO₂ emissions and basic unit

<table>
<thead>
<tr>
<th>Year</th>
<th>Toyota Boshoku</th>
<th>Japan affiliates</th>
<th>The Americas</th>
<th>Asia &amp; Oceania Region</th>
<th>China Region</th>
<th>Europe &amp; Africa Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>290.7</td>
<td>288.9</td>
<td>42.5</td>
<td>41.2</td>
<td>39.9</td>
<td>0.3</td>
<td>343.6</td>
</tr>
<tr>
<td>2018</td>
<td>297.4</td>
<td>285.6</td>
<td>43.8</td>
<td>42.1</td>
<td>39.6</td>
<td>0.3</td>
<td>351.9</td>
</tr>
<tr>
<td>2017</td>
<td>304.8</td>
<td>272.5</td>
<td>45.2</td>
<td>43.9</td>
<td>40.2</td>
<td>0.3</td>
<td>358.4</td>
</tr>
<tr>
<td>2016</td>
<td>290.7</td>
<td>266.0</td>
<td>45.2</td>
<td>43.9</td>
<td>40.2</td>
<td>0.3</td>
<td>351.9</td>
</tr>
<tr>
<td>2015</td>
<td>290.7</td>
<td>266.0</td>
<td>45.2</td>
<td>43.9</td>
<td>40.2</td>
<td>0.3</td>
<td>351.9</td>
</tr>
</tbody>
</table>

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

### Amount of waste and basic unit

<table>
<thead>
<tr>
<th>Year</th>
<th>Toyota Boshoku</th>
<th>Japan affiliates</th>
<th>The Americas</th>
<th>Asia &amp; Oceania Region</th>
<th>China Region</th>
<th>Europe &amp; Africa Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1.02</td>
<td>1.16</td>
<td>0.21</td>
<td>1.36</td>
<td>0.14</td>
<td>0.15</td>
<td>1.65</td>
</tr>
<tr>
<td>2018</td>
<td>0.98</td>
<td>1.16</td>
<td>0.21</td>
<td>1.36</td>
<td>0.14</td>
<td>0.15</td>
<td>1.54</td>
</tr>
<tr>
<td>2017</td>
<td>0.98</td>
<td>1.16</td>
<td>0.21</td>
<td>1.36</td>
<td>0.14</td>
<td>0.15</td>
<td>1.54</td>
</tr>
<tr>
<td>2016</td>
<td>0.98</td>
<td>1.16</td>
<td>0.21</td>
<td>1.36</td>
<td>0.14</td>
<td>0.15</td>
<td>1.54</td>
</tr>
<tr>
<td>2015</td>
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<td>1.16</td>
<td>0.21</td>
<td>1.36</td>
<td>0.14</td>
<td>0.15</td>
<td>1.54</td>
</tr>
</tbody>
</table>

### Water consumption and basic unit

<table>
<thead>
<tr>
<th>Year</th>
<th>Toyota Boshoku</th>
<th>Japan affiliates</th>
<th>The Americas</th>
<th>Asia &amp; Oceania Region</th>
<th>China Region</th>
<th>Europe &amp; Africa Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.29</td>
<td>0.31</td>
<td>0.31</td>
<td>0.31</td>
<td>0.29</td>
<td>0.28</td>
<td>0.31</td>
</tr>
<tr>
<td>2018</td>
<td>0.28</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.29</td>
<td>0.28</td>
<td>0.30</td>
</tr>
<tr>
<td>2017</td>
<td>0.27</td>
<td>0.29</td>
<td>0.29</td>
<td>0.29</td>
<td>0.28</td>
<td>0.27</td>
<td>0.29</td>
</tr>
<tr>
<td>2016</td>
<td>0.28</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.29</td>
<td>0.28</td>
<td>0.30</td>
</tr>
<tr>
<td>2015</td>
<td>0.28</td>
<td>0.30</td>
<td>0.30</td>
<td>0.30</td>
<td>0.29</td>
<td>0.28</td>
<td>0.30</td>
</tr>
</tbody>
</table>

### Users of childcare leave system and shortened work hour system

<table>
<thead>
<tr>
<th>Year</th>
<th>Childcare leave system</th>
<th>Shortened work hour system</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>132</td>
<td>178</td>
</tr>
<tr>
<td>2018</td>
<td>178</td>
<td>197</td>
</tr>
<tr>
<td>2017</td>
<td>197</td>
<td>219</td>
</tr>
<tr>
<td>2016</td>
<td>219</td>
<td>111</td>
</tr>
<tr>
<td>2015</td>
<td>111</td>
<td>72</td>
</tr>
</tbody>
</table>

* From fiscal 2017, the Toyota Boshoku group shifted to using production volume instead of sales, which are susceptible to external factors, for the basic unit so that improvements are more accurately measured.
* To improve accuracy, the Toyota Boshoku group revised CO₂ emissions in fiscal 2015 and the basic unit for CO₂ emissions in fiscal 2015, 2017 and 2018.
* CO₂ emission data has been certified by a third party on the Company’s website. Please refer to the Independent Assurance Report on our website.
Philosophy / VISION

The Toyota Boshoku Group formulated our corporate philosophy based on the Principles of Toyoda and under our vision, which articulates the type of company we aspire to become, we specify that “Looking into the future, we will create tomorrow’s automobile interior space that will inspire our customers the world over.”

1 Principles of Toyoda

Handing down the spirit of Sakichi Toyoda (established in 1935)
Always be faithful to your duties, thereby contributing to the company and to the overall good.
Always be studious and creative, striving to stay ahead of the times.
Always be practical and avoid frivolousness.
Always strive to build a homelike atmosphere at work that is warm and friendly.
Always have respect for spiritual matters, and remember to be grateful at all times.

Background of the Establishment of the Principles of Toyoda
As his founding spirit, Sakichi Toyoda aimed to make contributions for the benefit of the world and people as well as for the advancement of society and the nation.
Sakichi decisively chose to move forward without hesitation as an inventor while marching ahead toward commercialisation to spread the benefits of his inventions throughout society.
To clearly state Sakichi’s founding spirit as an everyday attitude, the Principles of Toyoda were established in 1935, five years after Sakichi’s death, and these have been successively handed down over generations as Toyota Boshoku’s current company creed.

2 Corporate Philosophy

1. Society
The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen:
1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;
2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment;
3) Create a better society as a member of our local communities.

2. Customers
The Company will develop innovative technologies and products to deliver quality that satisfies our customers.

3. Shareholders
The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.

4. Employees
The Company will build and maintain positive labour-management relations, respect the individuality of its employees and create safe and comfortable workplaces.

5. Business partners
The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.

3 Code of Conduct

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

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

2. Relations between employees and the company
(1) Global human resources development (2) How to build a meaningful workplace (3) Prohibition of illegal and antisocial acts

3. As members of society
(1) A healthy social lifestyle (2) Contribution to society (3) Corporate information and publicity (4) Insider trading (5) Traffic safety
We contribute to society by developing leading-edge technologies and manufacturing high-quality products.

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

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”

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

Enhance economic value

Invest in growth

Sustainable growth

Expand business fields

Offer multi-dimensional value

Corporate Growth While Fulfilling Our Responsibility in Harmony with Society

Contribute toward social value

Distribute what we achieve

Shareholders / investors

Customers

Company members

Suppliers

International / local communities
History of the Toyota Boshoku Group

The Toyota Boshoku group celebrated its 100th anniversary in 2018.
Our founding spirit to change with the times and contribute to society has been passed down over the generations and we are committed to carrying it on for the next 100 years.

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

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

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

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

Important events
- 1918: Toyota Boshoku Corporation was founded by Sakichi Toyoda
- 1921: Entered China, Established Toyota Boshoku Shou
- 1935: Formulated the Principles of Toyoda, which led to the TB Way and Corporate Philosophy
- 1943: Merged to Toyota Motor Co., Ltd. (now Toyota Motor Corporation)
- 1947: Established Arakawa Sheet Metal Industries Co., Ltd. (later Araco Corporation)
- 1950: Established Minsei Spinning Co., Ltd. as a separate independent entity from Toyota Motor Co., Ltd.
- 1960: Established Takashimaya Nippatsu Industries Co., Ltd. (later Takanichi Co., Ltd.)

FY1951 1.9 billion yen
Three companies merged to form Toyota Boshoku Corporation

Sales trend
- FY2005 456.3 billion yen

History of the Toyota Boshoku Group

- Started production of cabin air filter material by way of Melt Blown Construction Method (2009)
- Started production of motor core constituent parts using the FHS process* (2013)
- 1970: Entered the automotive components field
- 1985: Started full-scale production of automotive filters

* Toyota Boshoku’s unique high-precision, high-speed stamping technology (Fine Hold Stamping process)
system supplier
Global system supplier, the three companies were merged to establish a global production structure, deepen business fields.

2008
- Established Toyota Boshoku Somain S.A.S. (France) as our first seat assembly base in the EU region
- Established the Toyota Boshoku Technical Skills Academy
- Established Research Laboratories (now New Value Creation Centre)
- Completed the Global Training Centre

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

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

2011
- Started operations at Technical Skills Training Centre

2013
- Developed high impact-resistant plastic together with Toyota Central R&D Labs., Inc.

2014
- Completed Tajimi Technical Centre proving ground

2015
- Integrated the seat frame mechanism component businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation into the Company
- Developed new seat frames boasting light weight and high rigidity

2016
- Changed management structure (product business-based organisation)
- Established Silicon Valley Office of Toyota Boshoku America, Inc.
- Announced Mid-term Business Plan for Implementation 2020
- Announced 2050 Environmental Vision

2017
- Signed business partnership agreement with Tachi-S Co., Ltd.
- Took part in the 44th WorldSkills Competition for the first time and won a gold medal in the mechatronics category
- Established a joint venture between Toyota Boshoku, Autoneum and Nihon Tokushu Toryo Co., Ltd.
- Signed an agreement on comprehensive promotion of industrial-academic collaboration with National University Corporation Kanazawa University

2018
- Announced 2020 Management Plan
- Celebrated 100th anniversary
- Concluded an agreement with Nagoya University to jointly research tide-generating force
- Exhibited at CES2019
- Concluded a cooperation agreement with Iwate University centered on industrial technology development
- Concluded an agreement to establish a joint venture company for automobile seat production in the United States with Delta Kogyo Co., Ltd. and Toyo Seat Co., Ltd.

2019
- Announced 2020 Management Plan

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

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

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

Resources supporting value creation*3

<table>
<thead>
<tr>
<th>Sound financial foundation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity</td>
<td>329.3 billion yen</td>
</tr>
<tr>
<td>Ratio of equity attributable to owners of the parent</td>
<td>36.8%</td>
</tr>
<tr>
<td>Long-term issuer rating by Japan Credit Rating Agency, Ltd.</td>
<td>Credit rating AA, Stable rating outlook</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diverse members worldwide</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of group members including temporary staff members</td>
<td>51,991</td>
</tr>
<tr>
<td>Proportion of members working in regions outside Japan*4</td>
<td>70.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collaboration with business partners</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies that attended the Toyota Boshoku Global Annual Supplier Meeting (held in April 2019)</td>
<td>174</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manufacturing foundation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing entities</td>
<td>77 entities</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>61.3 billion yen</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R&amp;D foundation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Development bases</td>
<td>12 bases</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>46.9 billion yen</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R&amp;D Global business collaboration</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td></td>
</tr>
<tr>
<td>• Business integration with Aisin Seiki Co., Ltd. and Shiroki Corporation</td>
<td></td>
</tr>
<tr>
<td>• Business agreement with Tachi-S Co., Ltd.</td>
<td></td>
</tr>
<tr>
<td>• Established a joint venture company with Autoneum (headquarters: Switzerland) and Nihon Tokushu Toyoyo Co., Ltd.</td>
<td></td>
</tr>
<tr>
<td>• Concluded an agreement to establish a joint venture company with Delta Kogyo Co., Ltd. and Toyo Seat Co., Ltd.</td>
<td></td>
</tr>
<tr>
<td>Industrial-Academic Collaboration</td>
<td></td>
</tr>
<tr>
<td>• Kanazawa University, Iwate University, etc.</td>
<td></td>
</tr>
</tbody>
</table>

*3 Results as of the end of fiscal 2019
*4 Including temporary staff members
*5 This involves putting excellent technologies and information on products onto a shelf, which is a database, and applying these to next-generation product development.
Looking into the future, we will create tomorrow’s automobile interior space that will inspire our customers the world over.

**Value provided by the Toyota Boshoku group**

**Toward our desired status for 2030**

**QUALITY OF TIME AND SPACE**
Offer “QUALITY OF TIME AND SPACE” in all mobility

**Fiscal 2019 results**

<table>
<thead>
<tr>
<th>Enhanced capital efficiency</th>
<th>9.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>9.6%</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>4.3%</td>
</tr>
<tr>
<td>Total equity growth</td>
<td>3.3 billion yen</td>
</tr>
</tbody>
</table>

**Stakeholder return**

- Dividend payout ratio: 37.9%
- Income taxes: 27.3 billion yen

**Member motivation and growth**

- Innovation of vibrant work style
  - Member satisfaction (KPI on vibrant work environment): 67.8%
- Established a work environment for diverse members
- Completed basic design for Global HR Platform
- Growth
  - Number of people qualified with National Trade Skill Testing & Certification: Total: 1,642

**Provision of value to customers**

- Toyota Boshoku group
  - Seat production: 7.51 million units
- Seat sales ranking (Toyota Boshoku research): No. 3 globally
- Offer *QUALITY OF TIME AND SPACE*
  - Installed seats and interior products in new LEXUS UX

**Development of new technologies**

- High added value
  - Development of rechargeable lithium-ion battery
- Environment / Energy saving / Reduce mould yield ratio
  - Development of cooling and circulating water purification system

**Value Creation Process**

**Economic value**
Enhance economic value through profit improvement by expanding financial results

**Social value**
Contribute toward social value through distributing economic results to stakeholders and corporate growth while fulfilling our responsibility in harmony with society
President

Takeshi Numa
Anticipating the Future and Laying the Foundation for the Next Generation amidst a Transformational Period

In working toward its desired status, the Toyota Boshoku group is steadily implementing the Mid-term Business Plan for Implementation and accelerating new value creation for future growth. Amidst this transformational period in the automotive industry, Toyota Boshoku President Takeshi Numa explains Toyota Boshoku’s most recent issues and its initiatives for the future.

In 2018, we celebrated the milestone of the 100th anniversary of our forerunner Toyoda Boshoku Corporation. I also assumed the duties of president of Toyota Boshoku in 2018, and during this past year I have deeply felt the weight of our long history. At the same time, we also started out on our next 100 years and steadily achieved results toward the attainment of the Mid-term Business Plan for Implementation, which we announced in November 2016.

In 2018, we celebrated the milestone of the 100th anniversary of our forerunner Toyoda Boshoku Corporation. I also assumed the duties of president of Toyota Boshoku in 2018, and during this past year I have deeply felt the weight of our long history. At the same time, we also started out on our next 100 years and steadily achieved results toward the attainment of the Mid-term Business Plan for Implementation, which we announced in November 2016.

In the Midst of a Once-In-a-Century Transformational Period

The automotive industry is currently witnessing a once-in-a-century transformational period. The breathtaking speed of changes in the business environment is accelerating beyond expectations as we are being forced to respond to emerging new trends that include the advance of CASE*1 and MaaS*2 while industry reorganisation gains momentum and other industries such as consumer electronics manufacturers enter the automotive industry. I expect these evolving trends will also significantly reshape our own product lineup. For example, we are likely to see changes in the mechanisms and functions demanded by customers. This includes demand for seats that can be freely rotated and moved during autonomous driving and for a variety of functions such as seatbelts, airbags and air conditioning that centre around actual seats.

These evolving seat functions will also likely spur changes to the fitting and layout of ceilings, door trims, carpets and other aspects of interior spaces and an expansion in mobility services will lead to a diversification of values demanded by customers. I am concerned that unless we can offer plans and proposals that anticipate these changes and needs, we run the risk of becoming a company that merely creates commodity products requested by customers.

Two Measures for New Businesses Promotion

In view of this evolving environment, we will solidify our business footing and aim to realise our desired status. In doing so, during fiscal 2019 we implemented two measures for promoting new businesses to further improve profits while raising the value provided in our existing businesses. Specifically, we established the New Value Creation Centre as a new organisation that integrates the Pioneering Development Field and the Research Laboratories. Simultaneously, we established the New Business Promotion Segment and promoted the emerging-market compact car business, aircraft seat business and textile business and also developed such new products as rechargeable lithium-ion batteries and cooling and circulating water purification systems (Weets, see page 34). We also enhanced our proposal capabilities for the future and this enabled us to secure new orders for two types of aircraft seats from ALL NIPPON AIRWAYS CO., LTD. (For details, refer to page 35.)

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*1 Connected, Autonomous, Shared and Electric
*2 Mobility as a Service: This is a concept for seamlessly linked new mobility that combines all types of transportation other than personally owned vehicles as one service.
Profits Decrease due to Upfront Investments for the Future

In fiscal 2019, we posted increased sales and lower operating profit, as revenue increased by 9.9 billion yen from fiscal 2018 to 1,417.3 billion yen and operating profit decreased by 13.1 billion yen from fiscal 2018 to 61.2 billion yen. (For further details, refer to page 63.) Regarding the outlook for business results in fiscal 2020, the Toyota Boshoku group forecasts decreases in revenue and operating profit, with expected revenue of 1,390.0 billion yen, a decrease of 27.3 billion yen from fiscal 2019, and operating profit of 53.0 billion yen, a decrease of 8.2 billion yen from fiscal 2019. Versus the 2020 Management Plan (for details, refer to the diagram on page 15) announced in 2018, management indicators such as revenue, equity ratio, ROE and the dividend payout ratio in our full-year forecast for fiscal 2020 are virtually progressing in line with the plan. However, operating profit is expected to fall short of the target, with a 13.0 billion yen variance between the target of 66.0 billion yen and the forecast of 53.0 billion yen. The expected decline in operating profit mainly reflects the impact of changes in the external environment such as a shift in model mix

2020 Management Plan

Basic approach

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

Review of 2020 Management Plan

<table>
<thead>
<tr>
<th>Item</th>
<th>Vision</th>
<th>FY2019 results</th>
<th>FY2020 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Japanese GAAP</td>
<td>IFRS</td>
</tr>
<tr>
<td>Revenue (Net sales)</td>
<td>1,406.4 billion yen</td>
<td>1,417.3 billion yen</td>
<td>1,390.0 billion yen</td>
</tr>
<tr>
<td>Operating profit</td>
<td>58.0 billion yen</td>
<td>61.2 billion yen</td>
<td>53.0 billion yen</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>Steadily maintain 5% or higher</td>
<td>4.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Total equity (Net assets)</td>
<td>313.0 billion yen</td>
<td>329.3 billion yen</td>
<td>—</td>
</tr>
<tr>
<td>Ratio of equity attributable to owners of the parent (Equity ratio)</td>
<td>Around 40%</td>
<td>36.7%</td>
<td>36.8%</td>
</tr>
<tr>
<td>ROE</td>
<td>Around 10%</td>
<td>8.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>30%</td>
<td>48.4%</td>
<td>37.9%</td>
</tr>
</tbody>
</table>

2020 are virtually progressing in line with the plan. However, operating profit is expected to fall short of the target, with a 13.0 billion yen variance between the target of 66.0 billion yen and the forecast of 53.0 billion yen. The expected decline in operating profit mainly reflects the impact of changes in the external environment such as a shift in model mix
away from previously robust minivans and SUVs to sedans and compact vehicles as well as soaring raw materials costs. Other income-reducing factors include our proactive upfront investments aimed at strengthening future competitiveness. (For details, refer to page 65, Factors underlying changes in operating profit.) To rebound from the impact of this changing environment, the entire company will work in unison to achieve an unprecedented high level of rationalisation in fiscal 2020.

**Directly Addressing Issues One by One**

To build a strong corporate structure capable of withstanding rapid changes in the external environment, we are adopting completely new perspectives in pushing ahead with cost reduction activities while stepping up efforts to build a global management foundation. As an example, the price of nylon raw materials for numerous Toyota Boshoku products has soared approximately twofold over the past two years. To counter these rising costs, the Toyota Boshoku group is reviewing product design structures and promoting the shift to low-cost, proper-grade materials in addition to undertaking unified activities with suppliers such as encouraging local procurement.

Furthermore, we are implementing measures for sophisticated business management to accelerate decision-making and increase operational efficiency. As one such measure, from fiscal 2020, we eliminated the posts of Managing Officers, Executive Functional Officers and Functional Officers and consolidated these posts as *Kanbushoku*. I am confident this move will result in quick decision-making and accelerate speed from the strategy planning stage to execution. In conjunction, we are making progress with “innovation of vibrant work style” for realising more efficient work styles and improving productivity by raising worker-friendliness and satisfaction of company members. In parallel, we are promoting TQM activities that maximise the capabilities of organisations, processes and people essential for realising sustainable growth and improving the work environment.

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*3 We eliminated the posts of Managing Officers, Executive Functional Officers and Functional Officers (a reduction of 31 persons) and established Kanbushoku that includes division general manager-level and department general manager-level positions. This has enabled the allocation of the right persons for the right places for a wide range of posts that include Segment Chiefs, Field Chiefs and Centre Chiefs.

*4 Total Quality Management: Refers to activities aimed at enhancing the vitality of people and the organisation, thus increasing customer creativity and satisfaction, based on the basic philosophies of “customer first,” “full member participation” and “continuously carrying out kaizen” to ensure flexible and resilient corporate quality.
quality of each and every company member. (For details, refer to page 51.)

To sharpen the competitiveness of MONOZUKURI (manufacturing), we are also focusing on creating representative model lines in each business that collaborate extensively with such functions as quality, manufacturing, production engineering and development. At the same time, we are strengthening production engineering and capabilities with the aims of introducing the Internet of Things (IoT) and artificial intelligence (AI), reducing losses and ensuring competitiveness. As part of these efforts, in November 2019 the MONOZUKURI Innovation Centre will be completed at the Sanage Plant. This will accelerate product development through collaboration with production engineering, development, manufacturing and quality and will also enable centralisation of information from each plant. In doing so, we will build a production structure that can quickly move into action. We are also undertaking a reorganisation of our domestic production plants. To this end, we have devised a plan for reducing the current number of plants by approximately 30% in the run-up to 2025 and by consolidating production we will vigorously streamline operations and reduce logistics costs. Along with this, we will clearly map out strategies for each region and each plant that focus on the issues of whether to undertake just-in-time production or intensively produce the necessary number of products irrespective of the order of production.

Although the Toyota Boshoku group is facing an extremely harsh operating environment, we will steadily implement activities through “shop by shop” approach based on similar types of process classifications to solve various issues and I will take the lead in addressing issues with a strong determination to attain the Mid-term Business Plan for Implementation 2020.

Advanced Development for Being an Interior Space Creator

As I mentioned earlier, now is the time to quickly respond to the dramatic changes in our business environment. Besides strengthening our footing, we will accelerate future-looking initiatives and strengthen advanced development to become an Interior Space Creator (see page 19) that leads the way in creating new value for mobility spaces.

In January 2019, the Toyota Boshoku group displayed our products and technologies for the first time ever at CES*, the world’s largest consumer electronics trade show, held in the U.S. city of Las Vegas. Based on the theme of QUALITY OF TIME AND SPACE, we made proposals on how to spend

*5 Consumer Electronics Show: This show exhibits numerous new products as well as many prototypes.
time comfortably inside interior spaces, and these proposals also encompassed safety, confidence and environmental aspects. In anticipation of autonomous driving, we developed and equipped seats with a function that incorporates algorithms for detecting changes in the occupant’s physical status. With this function, sensors are attached to seats to detect biological information for determining the emotional state of drivers. If the sensors detect that the driver is drowsy, the function reacts by awakening the driver such as by vibrating the seat and blowing cold air. This exhibit at CES 2019 enabled us to gain significant attention from automakers and start-up companies, and this gave us enormous confidence about our future possibilities.

There are also some areas where it will be difficult for us to achieve growth as an Interior Space Creator by relying only on our own technologies. For this reason, establishing partnerships with Toyota Group companies and start-up companies is essential. We hope to accelerate our move toward this type of open innovation.

**Aiming to be a Global Supplier Trusted and Chosen by Customers**

Human resources represent the most vital source of our competitiveness in working toward the attainment of our management targets. Without the vitality and growth of each and every company member, we could never attain our management targets and other goals. In view of this, we will provide venues where company members can actually sense the growth achieved through their daily work and enhance education and training systems to further strengthen human resources development. We will strive to ensure this human resources development, or “HITOZUKURI,” leads to next-generation “MONOZUKURI” and R&D to create value that exceeds customer expectations and allows us to achieve growth as a global supplier that is trusted and chosen by customers.

**Striving to Improve Medium- and Long-term Value on the Basis of Corporate Growth in Harmony with Society**

The Principles of Toyoda, which are the basis of our corporate philosophy, embody the concept of managing the company for the benefit of the world and people rather than only pursuing benefits for our own company. While inheriting the DNA of these Principles, we strive to enhance corporate value by contributing to the realisation of a sustainable society through our main businesses from the perspective of environmental, social and governance (ESG) factors and the Sustainable Development Goals (SDGs). Regarding returns to shareholders, Toyota Boshoku’s basic policy is to continually maintain long-term, stable dividends. In keeping with this policy, in fiscal 2019 we increased annual cash dividends per share by 2 yen from fiscal 2018 to 56 yen.

In last year’s Toyota Boshoku report, I mentioned I have valued and acted in accordance with three principles: Customer First, genchi-genbutsu (Go, see and study) and communication. With these three principles serving as action policies, I believe it is crucial to always consider what is important for our stakeholders and move into action especially during these times of drastic change. Going forward, based on our determination to achieve corporate growth in harmony with society, we will raise our economic value and share the positive results of these efforts with stakeholders in various forms while also reinvesting for the future, thereby enhancing corporate value over the medium and long term. Please look forward to the future of the Toyota Boshoku group.
Initiatives toward Sustainable Growth

Since our earliest days, we have cultivated the identity of “HITOZUKURI,” “MONOZUKURI” and “R&D.” These strengths have laid the foundations for business activities and a business model that support the creation of value in the Toyota Boshoku group, enabling us to establish a strong position in the market with our core businesses of Seat, Interior & Exterior and Unit Components.

The business environment is changing drastically, however, with advance of CASE and the need to respond to new MaaS trends. Perceiving these changes as business opportunities, we will tackle new challenges from a fresh perspective that goes beyond a mere extension of past endeavours.

By further refining our identity going forward, we believe we can create significant new value.

Toyota Boshoku group’s identity and business model

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

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

Through integrated functions, from planning to development, production engineering and manufacturing, we deliver products with a high level of safety, confidence and quality to customers around the world.

Spearhead the creation of new value in interior space

The Toyota Boshoku group is strengthening advanced development with the aim of being an Interior Space Creator offering “QUALITY OF TIME AND SPACE.”

We aim to deliver high-quality products by realising our desired status of offering “QUALITY OF TIME AND SPACE” in all mobility. We also seek to be an Interior Space Creator that can provide new value to interior space in response to MaaS, which includes providing services to customers.
Offering interior spaces for an enjoyable and fun autonomous driving experience

Roadmap to become an Interior Space Creator

<table>
<thead>
<tr>
<th>Expansion of CASE</th>
<th>2018</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lv5</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Lv4</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Lv3</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Lv2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Autonomous driving</td>
<td></td>
<td></td>
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</tbody>
</table>

**What we have achieved**
- Supplier covering from material development to assembly
- Enhance R&D capabilities
- Strengthen production engineering and capabilities
- Develop human resources
- Enhance management infrastructure

**Toward our desired status for 2030**
**QUALITY OF TIME AND SPACE**
Offer "QUALITY OF TIME AND SPACE" in all mobility

Toyota Boshoku will strive to evolve into an Interior Space Creator and provide new value in mobility based on our identity of "HITOZUKURI," "MONOZUKURI" and "R&D" and our business model.

1. Reinforce existing technologies in core businesses and accelerate technology development in response to CASE
2. Accelerate the building of cooperations with companies possessing the technology we require

The Toyota Boshoku Group’s Management Concept and KPI Tree of Management Structure

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

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

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

Management concept

Vision / Desired status

Management structure we aim to achieve

Economic value

- Strengthen competitive advantage
- Strengthen management foundation

Social value

- Corporate Growth While Fulfilling Our Responsibility in Harmony with Society

2020 Management Plan

*Mid-term Business Plan for Implementation 2020  *Target (FY2021 Plan / FY2026 Target)

Economic value

We strengthen our competitiveness through initiatives under the Mid-term Business Plan for Implementation in order to solidify our medium- to long-term earnings foundation, manage the business operations that support the Toyota Boshoku group’s value creation and generate financial results. We will pursue the enhancement of economic value through profit growth achieved by re-investing in growth areas.

Social value

We contribute toward social value through distributing to our stakeholders economic value and enhancing company growth while fulfilling our responsibility in harmony with society.
**KPI tree of management structure**

**A framework for effectively utilising and managing our management resources**

The Toyota Boshoku group distributes to our stakeholders what we achieve after strengthening our competitiveness and enhancing economic value through our business activities. We also realise sustainable growth and enhance corporate value over the medium and long term by focusing on investment aimed at growth.

We have established a KPI tree of management structure and systemised it as follows in order to realise the management structure we aim to achieve.

1) Financial KPI: Enhance economic value through profit improvement by expanding financial results
2) Operational KPI: Generate financial results by solidifying earnings foundation with project-based management
3) Competitiveness KPI: Strengthen competitiveness by promoting the Mid-term Business Plan for Implementation
4) Stakeholder KPI: Contribute toward social value through distributing economic results and corporate growth while fulfilling our responsibility in harmony with society

In addition to strengthening management oversight, we will measure the attainment level toward realising the management structure we aim to achieve and visualise the extent of contribution the operations of each member is making to the Company.

**Tree structure for target management**

The Toyota Boshoku group classifies into a tree structure the financial KPI, operational KPI, competitiveness KPI and stakeholder KPI, and thoroughly implements initiatives to enhance corporate value in an integrated manner from top management through to members working on the front line. In addition, we are working to continuously increase corporate value while following up on progress and undertaking predictive management at management meetings held once a month, attended by inside directors, audit & supervisory board members, segment chiefs and field chiefs.
Special Feature: Identity of the Toyota Boshoku Group

We aim to be a corporate group that will remain trusted over the next 100 years by enhancing our identity, namely “HITOTUKURI,” “MONOZUKURI” and “R&D,” and by combining them with one another. The following interviews with the leaders explain the basic concept and initiatives regarding our identity.

**Development of global human resources to create the next 100 years**
Sharing values, creating a global system and OJT are the key.

**Basic concept**

As a good corporate citizen, the Toyota Boshoku group aims to enhance its medium- and long-term corporate value by pursuing sustainable growth in harmony with society. The foundation for the enhancement of corporate value is people. Without the development of people, we would not be able to create the next 100 years.

We are a global corporate group consisting of nearly 100 companies operating in 26 countries and regions. We place importance on a diversity in which members from around the world share common values such as the Principles of Toyoda and TB Way (see page 7) and mutually respect different ideas. We will develop a culture where the right person assumes the right position and takes leading roles globally, and where “people” develop “people” irrespective of differences in nationality, gender, religious faith or other attributes. This will be followed by the formation of an organisation with a sense of unity, which will provide greater value to the world. To this end, we will establish a globally common personnel system. Based on the strong belief that “people” develop “people,” we also make strong efforts in on-the-job training (OJT), focusing on the development of subordinates through high-quality communication.

**Evolution of a Global HR Platform**

We introduced a globally common HR system called the Global HR Platform with the aim of encouraging the development of our human resources on a global scale. Consequently, the Global HR Platform (qualifications and evaluation criteria) for managerial-level positions has been put into effect around the world, making it possible for us to facilitate transfers and the utilisation of optimal human resources on a global scale. (For details, refer to page 54.) Furthermore, the Regional Succession Committee (RSC) has been established to optimise the development of successors on a regional basis. The required successors are clearly identified and are systematically developed by means of OJT. Discussions at RSC are summarised and reviewed at the meeting for developing global successors, and optimal staffing (transfers and utilisation) has commenced on a global level. In the future, we will encourage the development of self reliant human resources who share common values and are capable of completing operations in their regions.

The essence of “innovation of vibrant work style” is high-quality communication between supervisors and subordinates.

For company members to work energetically and feel that their work is worthwhile, it is important to ensure that they truly feel that they contribute to their company and are being developed. This requires high-quality communication between supervisors and subordinates in their daily work. More specifically, supervisors should carry out process management by assigning tasks that are challenging and require a slightly higher skill level than that of subordinates. In the process of doing so, supervisors check whether their subordinates create a work plan and control processes including deadlines; whether they strive to improve; whether they practice genchi-genbutsu with the facts on the spot before making decisions; and whether they...
have cost awareness; among other aspects. In this way, subordinates are guided through their daily communication. Leading subordinates to success and praising them whenever they achieve successful results. This is the cycle of success and generates a sense of achievement and confidence in subordinates and helps them to improve. This is the essence for enabling company members to work energetically.

For “innovation of vibrant work style,” all companies and plants in our group are committed to creating processes and workplaces for everyone to work more efficiently and effectively. In addition, in terms of the HR system, we have introduced flextime and telework, which allow members to flexibly choose the hours they work and places they work. In this way, we are providing more work style options and have developed an environment in which members can work more energetically and vibrantly. (For details, refer to page 53.)

Ongoing efforts regarding HITOZUKURI as a global company

The global HR systems and OJT should ensure that the appropriate individuals assume the appropriate positions and take leading roles globally, irrespective of differences in nationality, gender, religious faith or other attributes. Our workplaces will build the culture of human resources development through “people” developing “people.” Our regional locations will grow more self reliant and help to maximise our global organisational strength. In this way, we will provide greater value to the world.

TOPICS

Encouraging diversity at manufacturing sites and office reforms aimed at improving productivity

Guangzhou Intex (China) introduced dedicated line for women expecting a child to the sewing process, which is generally performed while standing. This allows members to sit down to operate the sewing machine. Care is exercised by dividing their processes in accordance with the length of their pregnancy.

The free address seating system eliminates departmental barriers and stimulates communication. A company member is allowed to choose the best place depending on what they do, thereby leading to improvements in productivity.
Basic concept

The Toyota Boshoku group originated from Toyoda Boshoku Corporation, a company founded by Sakichi Toyoda. Continuing Sakichi Toyoda’s enthusiasm for MONOZUKURI, we always base everything on a customer’s perspective and seek to create products on a BtoBtoC* basis. We always think about how to deliver good products at reasonable prices, in a timely manner, efficiently and in accordance with customers’ needs.

We are not a company that only makes products. We have a consistent function throughout the entire process from design to trial production, development, production engineering and production. For production, we have many different processes encompassing pressing, resin moulding, welding, coating, assembly and many others. They are our great strength and characteristics.

Recently, the trends and market environment surrounding automobiles and customers’ needs have been changing faster than ever. To keep pace with these changes, we need to constantly pursue a production system and supply speed that will enable us to efficiently handle quality and changes in demand, based on a thorough understanding of the sales approaches and production plans of an automaker.

* Business to Business to Customer: Striving to provide products that take the perspective and viewpoint of a customer into account so that we can meet the expectations of customers “Business” and end users “Customer” who actually ride in the vehicle.

Shortening the lead time is the key to competitiveness

Automakers, our clients, constantly pursue shorter lead times in an effort to adapt to changes in the market and fluctuations in demand. To address changes in demand from automakers in a timely manner and become more competitive in MONOZUKURI, we also strive to shorten lead

Connected plants

We facilitate the acquisition and use of data on MONOZUKURI in pursuit of creating plants that can be connected by transmitting and receiving a range of information. Through trial implementation and utilisation at model plants, we ascertain the impact of their introduction, build a foundation and standardise their operation while anticipating global expansion.
time. Lead time can be broadly divided into three stages: development, preparation for production and production. Shortening the lead time must be considered for each of the stages. In other words, we always try to foresee changes in the market, rapidly develop products to satisfy demand, build a process for starting production early while ensuring safety and quality in the products that are developed, and ensure timeliness and efficiency to satisfy customers' needs (quantity and type). This requires the shortening of the lead time in production and logistics throughout the process from the arrangement of components to the delivery of completed products to automakers. It is also necessary to consider the overall lead time and efficiency and decide whether to adapt our production to the order of production in the automakers or to increase efficiency by intensively producing the necessary number of products irrespective of the order of production.

Shortening the lead time in logistics between suppliers and production locations is also important. For example, even if you order components every day, you will not be able to shorten the lead time if the truck operates only once a week, because it cannot be allowed to leave before it is fully loaded. Accordingly, we utilise the carriers' junction locations and cooperatively transport the components of suppliers and production bases from the same region. By doing so, we seek to streamline transportation and establish cost-minimum logistics where we can adapt flexibly to quantitative fluctuations.

What is needed for “good MONOZUKURI”

In the future, plants will be required to make their processes compact and resistant to many different fluctuations. We also foresee our future and are committed to MONOZUKURI with utilisation of the Internet of Things (IoT). We utilise IoT in controlling plants and visualising productivity, and we use artificial intelligence (AI) and robots for developing innovative processes and standardisation. These will be successively expanded on a global scale. IoT enables us to view the production status in a timely manner and quickly identify and improve problems and run a plan-do-check-act (PDCA) cycle. We will then standardise processes and maintenance and strive to shorten the lead time further in an effort to become more competitive.

It is also necessary to thoroughly implement the Toyota Production System. We will enhance productivity in our work, equipment and materials; reduce costs; coordinate the process from development to manufacturing; and develop processes that are geared toward the different regions and customers. This should lead to our customer first, competitive practice of MONOZUKURI.

TOPICS

Monozukuri Innovation Centre
(scheduled to be completed in November 2019)
Prior to that, the definition of an ideal automobile seat was that it was comfortable for the driver. From here on, we will also see a rise in demand for a “comfortable, human-friendly space” that is geared toward all drivers and passengers in terms of the usage and situation, and that satisfies individuals’ requirements. We take the changes in the environment as an opportunity and will continue to strengthen our advanced development activities with the aim of becoming an interior space creator (see page 19) to lead the creation of new value of mobility spaces offering such aspects as new experiences, time and spaces unlike anything else that has been available to date.

Accelerate efforts transcending conventional borders

As we strengthen our advanced development activities, we focus particularly on “human-centred development.” One example is the development of a system for combining the five senses of human beings with the internal air quality inside a vehicle to create the optimal conditions for a driver and a passenger. Furthermore, we focus on the development of materials, and, in 2018 we launched eco-friendly products including components using high impact-resistant plastic (see page 58) and kenaf, a plant-based material.

In recent years, the extension of Connected, Autonomous, Shared and Electric (CASE) and Mobility as a Service (MaaS) has drastically changed the environment surrounding mobility. Continued progress in the technology of autonomous driving will relieve drivers from driving and generate new value in terms of transportation times.

Developing a control system that combines the five human senses with air quality

The condition of a driver is estimated on the basis of a range of his/her biological information, and the five senses and air quality are controlled accordingly. A driver’s condition will be guided and greater safety, confidence and comfort will be ensured. Beyond that, the driver will even be inspired. All of these are aimed at achieving QUALITY OF TIME AND SPACE.
emotional state by detecting his/her biological information and keep him/her from becoming sleepy accordingly, as well as a technology that provides safety, confidence and comfort by stimulating the five senses with vibrations, music, light or other stimuli that suit a given situation. Efforts are underway toward commercialisation.

We perceive that the expansion of the world of MaaS will create a new form of UX*. For example, it could make a vehicle into a venue for meetings and for entertainment such as watching videos.

By offering customers a variety of services as well as tangible goods such as seats and interior components, we will deliver valuable time and spaces for drivers and passengers. MOOX, a cabin space model, was also exhibited and enabled visitors to experience the new and unprecedented value to be offered.

* User Experience: Experience obtained by a user through a product or service

Accelerating efforts to serve society as well

Activities are underway at the New Value Creation Centre, which was established in April 2018, with the aim of serving society to a greater extent through our research in 2030 and thereafter. In October 2018, a plant-growing technology using the tidal force, the force that generates high and low tide, was disclosed for the first time in the world, garnering a significant reaction. We have also established the Technical Advisory Board, a think tank consisting of experts outside our group, and we aim to sow seeds that are valuable to society as soon as possible through research and development.

Our efforts to continue creating new value and serve society will be accelerated.
Looking back at fiscal 2019

Fiscal 2019 saw the Seat Business respond to the vehicles launched by Toyota Motor Corporation such as the Corolla Sport, LEXUS ES and LEXUS UX. The development of a new seat frame based on the TNGA* concept introduced in 2015 helped reduce development man-hours through standardisation and enhanced efficiency. In addition, the integration of the mechanical seat frame component businesses of Aisin Seiki Co., Ltd. and Shiroki Corporation has led to a 30% increase in development efficiency through the unification of development processes and the shift to centralised production. The resources generated through this streamlining are being redirected into the development of new functions and seat development with a view to the future of autonomous driving in preparation for further growth. In terms of activities aimed at expanding sales, we have established a framework enabling us to make swift proposals to automakers by having technical and sales locations nearby, which includes extending the Osaka Marketing Office and setting up the Hiroshima Marketing Office.

Fiscal 2020 and onward

With the imminent launch of a number of car models in fiscal 2020 and beyond, we will promote further standardisation and greater efficiency as well as make preparations for the future, especially by revising our production and supply system. In the United States, an
agreement was concluded between Toyota Boshoku, Mazda seat manufacturer Delta Kogyo Co., Ltd. and Toyo Seat Co., Ltd. for the establishment of a joint venture company for automobile seat production and sales. We will leverage the know-how and resources of both companies with the aim of producing more competitive seats.

Also, we will strive to bring shape to a locally optimal production and supply system for seat components. In each region, we plan to look into the best location for production, which will include examining the viability of centralised production. We will also propose development with a focus on the seat surface and materials, which significantly impact design and finish quality. This is in keeping with our commitment to be able to have automakers entrust us with everything. To help achieve this, we established the BR Trim-Cover Innovation Dept., a specialty unit within the Seat Business Segment, in April 2019, thereby strengthening our proposal capabilities.

Amid remarkable technological innovations in the automobile industry such as autonomous driving, we believe there will be changes in the way people spend time inside a car and how that interior space is utilised, and in turn, the role required of the seat is expected to drastically change. By anticipating customer needs, we can take a proactive stance toward advanced development to create high value-added devices and propose seat arrangement. Going forward, the Seat Business Segment will work as one to produce attractive products that exceed customer expectations.

### Seats that pursue comfort installed in the LEXUS UX

This seat features a high-quality design and functionality suitable for LEXUS urban style compact crossover cars through a pursuit of ease of driving and comfort. Seat ventilation and a stitch-line sewn with a skilled technique invoke a feeling of fine quality throughout the seat. In addition, Toyota Boshoku's uniquely developed Foam in Place Method was used in the development of a sports seat exclusively for the F SPORT, the sports car in the LEXUS UX lineup, realising a great sense of fit and hold.

We employed quilting based on a traditional Japanese embroidery technique known as sashiko.

### Key points of initiatives in fiscal 2019
- Launch of several car models
- Strengthening of development system by promoting standardisation
- Invigoration of order activities mainly by establishing marketing offices
- Enhancement of office environment

### Action plan for fiscal 2020
- Optimise production system in each region
- Strengthen ties with other companies
- Bolster competitiveness to counter global mega-suppliers
- Pursue the possibility of seats alongside developments in autonomous driving
Looking back at fiscal 2019

In fiscal 2019, efforts focused on launching multiple new products such as the new model Corolla by Toyota Motor Corporation, for which global production is underway. Resin material realising a reduction of around 20% in weight compared with conventional base material while maintaining world-class impact resistance was employed as door trim for the new model Crown. Many customers have expressed their high expectations in the resin for its ability to reduce the weight and the environmental burden of vehicles. Moving ahead, we will further raise the cost competitiveness of this material and look to expand its application. In addition, we succeeded in automating the process for rapping the surface skin on the door trim used in the LEXUS ES, a difficult procedure that was previously performed by hand. This has enabled us to propose products that offer both a sense of luxury and cost competitiveness.

Fiscal 2020 and onward

In fiscal 2020, we will roll out a series of new products in Russia, China, Taiwan, Thailand and other places, putting into place the necessary preparations. In this segment’s core businesses of door trims and headliners, we aim to realise further good products at a reasonable prices and strengthen initiatives to bolster profitability.

In the future, the functions required in these products are expected to change significantly compared with conventional products corresponding to the advancement in autonomous driving and MaaS. At CES 2019 held in January 2019, we presented a dynamic comfort system that we intend to incorporate into the product strategy and plans of the items we proposed in fiscal 2020. This will include determining how to build the cameras and sensors.
into this system in a beautiful design.

Amid intensifying global competition, it is necessary to further promote the creation of good products at reasonable prices toward fiscal 2021. Besides building on past efforts to strengthen activities to reduce production costs, we seek to enhance product attractiveness by integrating design and production engineering; shift to a simpler component structure and establish a simple production process in line with this; focus on local procurement; and reflect the results in the manufacturing entities of each region. Also, activities to modify work styles for design operations that we have undertaken since 2018 are expected to improve design capabilities and help establish an environment full of vitality.

We continue to team up with collaboration partners to implement “Let’s make ever-better products” activities aimed at enhancing profit-making capabilities and technological capabilities in order to become a supplier trusted and chosen by automakers. Going forward, we will add advanced development capabilities to the mix and undertake initiatives that will be the source of competitiveness and take us ahead of our competitors.

Won The Technological Development Award issued by Society of Automotive Engineers of Japan
–Developed lightweight moulded foam door trim with high impact resistance

Toyota Boshoku won The Technological Development Award at the 69th Society of Automotive Engineers of Japan Awards*1 for its lightweight moulded foam door trim with high impact resistance. The Company’s technology was recognised for its ability to improve impact resistance and rigidity required for automotive components and further reduce weight. (For details, refer to page 58.)

Key points of initiatives in fiscal 2019
- Launch of car models for the global market
- Promotion of standardisation of global production engineering
- Advancement of automation processes

Action plan for fiscal 2020
- Steadily launch car models for the global market
- Strengthen price competitiveness
- Expand and reinforce “Let’s make ever-better products” activities
Looking back at fiscal 2019

Fiscal 2019 was a year in which the Unit Components Business advanced sales expansion of existing businesses. Of particular note, filters of good products at reasonable prices were well received by customers and orders increased in the aftermarket. In addition, preparations were made to increase orders of engine air induction type resin products with investigations into the optimal production system underway. In October 2018, we relocated production in Tianjin to a new plant and increased the facility’s size in order to establish a production system capable of responding to the business expansion of automobile filter products in China. Production at the site commenced. We also made preparations for hybrid-related components, for which demand is expected to rise, through the establishment of a production plant. These initiatives were put into effect on the back of high acclaim received in different fields such as our technological capabilities and production engineering capabilities enabling us to meet our customers’ sophisticated requirements. Going forward, efforts will be made to develop new products by leveraging our core microfiber technology and precision mould and moulding and press technologies.

Further, the rechargeable lithium-ion battery released in 2018 is recognised for its high output and long life while having a compact design. In particular, the battery has stimulated significant interest from sports automakers in Europe for use in high-spec sports cars. Moving ahead, we aim to further refine product performance and quality and develop a supply system that brings us business opportunities.
Fiscal 2020 and onward

In fiscal 2020, we will develop and strengthen our production system in response to the expansion of existing products. In particular, we have had an increasing number of inquiries concerning air induction components, notably resin components, from various customers. We will make the necessary adjustments so that the Miyagi Plant of our subsidiary TOYOTA BOSHOKU TOHOKU CORPORATION can be newly used as a production site for unit components. In addition, we have already started shipment of samples for a rechargeable lithium-ion battery and plan to establish a pilot line at the Kariya Plant during fiscal 2020 with a view to mass production. We are also making progress in the project to utilise the Kariya Plant as the mother plant for our Unit Components Business in addition to having the option of collaboration with suppliers. This forms part of our plans to rebuild our production system.

Moreover, we started sales of our cooling and circulating water purification system (Weets) outside of the company in April 2019 and will make efforts to expand sales going forward.

Although we are progressing mostly in line with our action plan, we will strive to establish a workplace environment, strengthen the line of communication between managers and workers, and thoroughly reduce wasted man-hours in order to further accelerate our initiatives.

Promoting and strengthening development of a rechargeable lithium-ion battery

Toyota Boshoku has developed a rechargeable lithium-ion battery utilising separators that apply our proprietary microfiber technology and unique precision stamping technology. We are currently developing the form of the battery so that it can incorporate a high-output cell and be used for automotive application along with development of a module and package. Efforts are being made to actively propose the product to automakers, which includes having displays at various exhibitions.

Key points of initiatives in fiscal 2019

- Expansion of sales in existing businesses
- Launch of a new plant in Tianjin
- Development of a rechargeable lithium-ion battery
- Acceleration of business creation for cooling and circulating water purification systems (Weets)

Action plan for fiscal 2020

- Expand sales and strengthen system for existing businesses
- Rebuild production line and production capacity
- Pursue possibilities for new businesses in line with electrification
New Business Promotion

Creating Strategies for New Businesses and Promoting the Establishment of Business Management and Promotion Structures to Drive Expansion of Business Fields and Sustainable Growth

The New Business Promotion Segment includes centres for each business: Emerging-market Compact Car Business, ACT (Aircraft & Train) Business and Textile Business. Within the segment, we also assign specialists for planning and promoting business commercialisation and provide support for commercialising needs and seeds. New businesses are then put on a track as pillars of the Toyota Boshoku group’s future contributing to the enhancement of corporate value.

Review of fiscal 2019 and future developments

In the Emerging-market Compact Car Business, we have strengthened efforts to expand business in India and the ASEAN region. We are close to completing development of a series of good products at reasonable prices that meet regional needs following market research in emerging countries and the setting of benchmarks. Going forward, we will augment our product lineup in accordance with region and vehicle classification. In terms of initiatives to boost sales to automakers in emerging markets, we established an office in Gurgaon City as a base targeting in particular sales expansion in India, a key market. The aim will be to obtain orders in the growing Indian market and increase sales.

In the ASEAN region, we will proactively implement activities to gain orders from automakers in conjunction with Toyota Boshoku Asia, our Regional Management & Collaboration Hub (RM&CH).

In the ACT* business, we leveraged the know-how refined in the Company’s automobile seat development business and entered the aircraft seat market. Earning high acclaim for their comfort and safety since making their debut in 2015, Toyota Boshoku’s seats were adopted on two All Nippon Airways (ANA) domestic flight models in economy class seating. The seats are scheduled to be installed in eight Boeing 777-200 and 11 Boeing 787-8 models in autumn 2019 (a total of approximately 6,000 seats). There are business opportunities in the offing for ACT Business.

* Aircraft & Train

Key points of initiatives in fiscal 2019

| Emerging-market Compact Car Business | Promotion of business in India and ASEAN region
| | Planning and development of good products at a reasonable prices seats for emerging markets
| ACT Business | Strengthening of order activities
| | Development of base frames in seats that meet new standards
| Textile Business | Reinforcement of capacity at ASEAN production sites

Action plan for fiscal 2020

| Emerging-market Compact Car Business | Strengthen order activities in India and ASEAN region
| | Further enhance price competitiveness for all components, including seats
| ACT Business | Actively implement sales activities for aircraft manufacturers in Japan and Asia
| | Strengthen aircraft seat component supply chain
| Textile Business | Reshape product strategy
the aircraft seat business if we can show that we have the ability to secure orders for seats used in newly built aircraft in addition to replacement demand. Toyota Boshoku aims to increase sales in the aircraft seat business and make this area into a pillar of earnings.

In the textile business, we are leveraging our unique double weaving technology to gain exceptional competitiveness in the curtain-shield airbag field. To meet growing needs in emerging markets, we made capital investment in a production entity in Thailand in 2018 and significantly increased production capacity. We seek to further enhance our share in curtain-shield airbags, for which demand is projected to increase in the light vehicle and compact car market in emerging regions. At the same time, we will develop safety-related equipment built into seats, namely airbags and seatbelts, that will be necessary in a future autonomous driving environment.

In addition, we are working to establish multi-faceted evaluation criteria so we can correctly assess and nurture breakthrough ideas born at the New Value Creation Centre in order to grow seeds of innovation that lead to future earnings. By doing so, we aim to drive sustainable growth.

**New Business Promotion Segment**

- **Emerging-market Compact Car Business Centre**
  - Responsible for promoting good products at reasonable prices, production and expanding new customers for compact cars in emerging markets.

- **ACT Business Centre**
  - Responsible for promoting seat business for aircraft and trains.

- **Textile Business Centre**
  - Responsible for promoting optimal production in the textile business, our original business, as well as business expansion.

- **Commercialisation Planning Division**
  - Supports planning and promotion with a view to commercialisation and advances plans for new business.

- **Marketing & Sales Planning Division**
  - Plans sales expansion strategies targeting new customers and aims to boost revenue through collaboration with each department and other business segments.

**Newly employed aircraft seat**

Development of this new seat can be attributed to the addition of inventive new methods to enhance seated comfort and usability in our pursuit of the ultimate seat. In terms of seated comfort, the seat contours to a wide range of body sizes for a good sense of fit while the shape of the backrest frame has been optimised and comfort improved. In terms of usability, the table and armrest height and form factor details have been designed with usability in mind. The seat includes a full range of functions, including a new touch panel personal monitor, and also has a slim design for a feeling of roominess and space.

**Example of development of products exclusively for emerging markets**

- **Seats**
  - Front
  - Rear

- **Frames**
  - Devices
  - Recliner
  - Slide rail

- **Unit components**
  - Metallic decoration (door unit)

- **Light-weight air cleaner**

- **PC power port**

- **11.6-inch touch panel monitor**

- **USB port**

- **Newly designed cup holder**

- **User-friendly shape**

- **See-through literature pocket**
Interview with an Outside Director

Akihiro Koyama
Professor, Faculty of Economics, Gakushuin University
Doctor of Business Management

Contributing to Corporate Growth and Stakeholders through Wholesome, Substantive Discussion and Appropriate Advice

Since being appointed by the Board of Directors in June 2018, I have used my extensive experience researching the differences between Japanese and German corporate governance and in corporate finance to express my opinion and offer advice on a wide variety of topics. Toyota Boshoku has established an environment that encourages substantive discussion from multiple standpoints, for example, by appointing four of the Company’s 10 directors as outside directors with different backgrounds and areas of expertise. Toyota Boshoku is also committed to separating business execution and oversight. In April 2019, the corporate structure was changed and the number of officers was reduced from 31 to 20, consisting of the Chairman who holds a position above that of operating officer, Vice Chairman, President, Executive Vice Presidents, Directors, Operating Officers and Audit & Supervisory Board Members – a move that has been commended for accelerating decision-making and the implementation of management planning.

In the German corporate governance system that I am researching, it is strictly prohibited to concurrently carry out business execution and oversight. However, I don’t believe this is the desired approach for oversight since it doesn’t enable an understanding of the expertise required for business. As with Toyota Boshoku, I think it is more beneficial to have a balanced corporate governance system in which there are both independent outside directors as well as persons who serve concurrently as an operating officer and a director. Of course, whether or not corporate governance is functioning properly depends on the ethical framework and capability of top management even when system design is exceptional. I will evaluate from an impartial standpoint whether the actions of management are aimed at enhancing corporate value rather than serve a self-centred agenda.
At Board of Directors meetings, I requested detailed explanations of such matters as capital cost calculations and the approach to profitability and internal reserves for global investment projects in fiscal 2019, and judged the eligibility and expressed my opinion. With regard to the acquisition of shares, I asked about the level of internal agreement on the company subject to the acquisition as well as its characteristics, provided my assessment and led discussion based on the responses. When the topic of initiatives aimed at enhancing corporate value was on the agenda, I was impressed with the direction of management strategy to expand business domains, tackle new challenges using core technology and contribute to a future mobility society.

The automobile industry is currently faced with a significant turning point. I would like to see Toyota Boshoku lead the industry by transcending the framework of the Toyota Group and heightening its presence throughout the industry. Amid this wave of change, Toyota Boshoku must strive to raise corporate value over the medium to long term as a company that is loved and by supporting society and its company members. When I conduct plant inspections, my personal impression is that many company members are proud of working as a member of the Toyota Group and I get the feeling that the local community respects Toyota Boshoku.

In recent years, there has been an emphasis on expanding the number of outside directors and strengthening the functions of the Audit & Supervisory Board with the aim of bolstering corporate governance, requirements that should be met at the same time. Going forward, I will keep a close watch on initiatives to raise corporate value so as to contribute to shareholders and become a company that is highly rated by society and that people expect great things of.

**Profile**

Mar. 1976 B.A. Faculty of Commerce, Hitotsubashi University
Mar. 1981 Ph.D., Graduate School of Commerce, Hitotsubashi University
Apr. 1981 Lecturer (Full-Time), Faculty of Economics, Gakushuin University
Apr. 1988– Professor, Faculty of Economics, Gakushuin University (to present)
Apr. – Aug. 1995 C4 (Full-Time) Professor, Faculty of Law and Economics, Bayreuth University, Germany
June 2018– Director, the Company

**Research fields**

Economic analysis of corporate governance based on the theory of neo-institutional economics, especially on the principal-agent theory (control of management by shareholders, participation of shareholders in management, research on corporate governance), theoretical and empirical analysis on corporate valuation based on Quantitative and qualitative factors (corporate scoring, bond rating, bankruptcy prediction, etc.), comparative analysis of German and Japanese business management.
Directors, Audit & Supervisory Board Members and Operating Officers

(As of June 12, 2019)

Directors
10 directors, including 4 outside directors/Average age: 63 years old

Chairman
Shuhei Toyoda

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

Executive Vice President
Teruo Suzuki

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

Executive Vice President
Shinji Kano

- Director: 1 year
- New appointment
- Unit Chief, Safety, Health & Environment Field
- Unit Chief, Production Control Field
- Unit Chief, Research & Development Field
- Unit & Field Chief, Manufacturing and Craftsmanship Promotion Field
- Apr. 1980: Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
- Jan. 2013: Advisor, the Company
- June 2013: Managing Officer, the Company
- Apr. 2017: Executive Managing Officer, the Company
- Apr. 2019: Vice President, the Company
- June 2019: Executive VicePresident, the Company (to present)

Executive Vice President
Yoshihiro Ito

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

Outside Director
Takeshi Ogasawara

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

President
Takeshi Numa

- Unit Chief, Corporate Operation Unit
- Unit Chief, Quality Field
- Unit Chief, BR North America Project Promotion Dept.
- Apr. 1981: Joined Toyota Motor Co., Ltd. (now Toyota Motor Corporation (TMC))
- Apr. 2012: Managing Officer, TMC
- Apr. 2016: Vice President, the Company
- June 2016: Executive Vice President, the Company
- Apr. 2018: President, the Company (to present)

Executive Vice President
Yasuhiro Fueta

- Segment Chief, Corporate & Profit Management Segment
- Department General Manager; BR Global Collaboration & Management Dept.
- Apr. 1983: Joined Toyota Motor Corporation (TMC)
- Jan. 2015: Advisor, the Company
- June 2015: Managing Officer, the Company
- June 2017: Director, Managing Officer, the Company
- Apr. 2018: Director, Executive Managing Officer, the Company
- Apr. 2019: Director, Operating Officer, the Company (to present)

Outside Director
Akihiro Koyama

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

4 audit & supervisory board members, including 2 outside audit & supervisory board members /Average age: 67 years old

Outside Director
Kazue Sasaki

Outside Director
Hiroyuki Ina

Standing Audit & Supervisory Board Member
Sunao Yamamoto

Standing Audit & Supervisory Board Member
Terukatsu Mizutani

Outside Audit & Supervisory Board Member
Hiroyuki Yokoyama

Outside Audit & Supervisory Board Member
Masakazu Aida

Operating Officers

Yasushi Minami
Segment Chief, Asia & Oceania Region Segment
President, Toyota Boshoku Asia Co., Ltd.

Masanobu Ishikawa
Segment Chief, Seat Business Segment

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

Takashi Yamamoto
Segment Chief, New Business Promotion Segment

Hiroshi Ioki
Segment Chief, Japan Region Segment
Centre Chief, Manufacturing Centre 3, Japan Region Group Plant General Manager, Kanto Plant

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

Shouji Adachi
Segment Chief, Unit Components Business Segment

* Also holds the position of Member of the Board of Directors
Governance

Corporate Governance

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

Specifically, the Company will advance the following: (1) Securing the rights and equal treatment of shareholders; (2) Appropriate cooperation with stakeholders other than shareholders; (3) Ensuring appropriate information disclosure and transparency; (4) Appropriate execution of the roles and responsibilities of the Board of Directors; and (5) Engaging in constructive dialogue with shareholders.

Response to the Corporate Governance Code

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

Corporate governance system

Toyota Boshoku is working to strengthen corporate governance with the aim of increasing corporate value.

The Board of Directors, the decision-making body for business management, resolves legal matters and important management-related matters and oversees business execution.

Such matters are deliberated upon extensively prior to submission to the Board of Directors by way of the Corporate Planning Meeting, which shares information and makes decisions on important management issues, and the Corporate Strategy Meeting, which debates such items as company-wide management strategy. This serves to quicken response to management challenges. In addition, efforts are made to regularly monitor and follow-up on the status of business execution at the Management Meeting.

[Diagram of Corporate Governance System]

[Table of Corporate Governance System]
Meeting, where information is shared among internal directors, standing audit & supervisory board members and organisational heads from the different fields.

**Initiatives for improving corporate governance**

Toyota Boshoku appoints four outside directors with extensive experience and broad views in such areas as corporate management. The outside directors serve to ensure the legality and appropriateness of decision-making by the Board of Directors and the execution of duties by directors from an objective standpoint.

Toyota Boshoku adopts a corporate auditor system, in which a four-person structure that includes two outside audit & supervisory board members audits the management of directors. Audit & supervisory board members attend key meetings, make visiting audits and speak with personnel in each division as well as audit the business execution of directors and the business and financial condition of subsidiaries in Japan and overseas. Such initiatives as assigning dedicated staff to the Audit & Supervisory Board Office help strengthen the functions of the Audit & Supervisory Board.

In April 2019, the position of executive managing officer was changed to operating officer and the number of officers was reduced from 31 to 20.

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**Establishment of Management Advisory Council**

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

**Policy and procedure for nominating candidates for director and audit & supervisory board member**

A decision is made on the appointment and dismissal of directors and audit & supervisory board members following debate and discussion by the Management Advisory Council.

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

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

### Reasons for election of outside officers

<table>
<thead>
<tr>
<th>Classification</th>
<th>Name</th>
<th>Independent Officer</th>
<th>Supplementary explanation regarding suitability items</th>
<th>Reasons for election</th>
<th>Number of Board of Directors meetings, Audit &amp; Supervisory Board meetings attended in fiscal 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>Takeshi Ogasawara</td>
<td>☐</td>
<td>Advisor, MUFG Bank, Ltd. Business partner of the Company</td>
<td>Mr. Ogasawara was elected as a director because it was deemed that he could reflect his extensive experience and broad insight as a manager in the management of the Company and contribute to the maintenance and strengthening of the Company’s corporate governance.</td>
<td>Attended 12 of 12 Board of Directors meetings.</td>
</tr>
<tr>
<td></td>
<td>Akihiro Yokoyama</td>
<td>☐</td>
<td>Professor, Faculty of Economics, Gakushuin University</td>
<td>Mr. Yokoyama was elected as a director because it was deemed that he could reflect his expert knowledge acquired over many years in corporate finance, research into such areas as corporate governance and corporate management from a global perspective in the management of the Company and contribute to the maintenance and strengthening of the Company’s corporate governance.</td>
<td>Attended 10 of 10 Board of Directors meetings.</td>
</tr>
<tr>
<td></td>
<td>Kazue Sasaki</td>
<td>☐</td>
<td>Executive Vice President, Toyota Industries Corporation Business partner of the Company</td>
<td>Mr. Sasaki has many years of experience as a manager and he was elected as a director because it was deemed that he could reflect his extensive experience and broad insight in the management of the Company and contribute to the maintenance and strengthening of the Company’s corporate governance.</td>
<td>Attended 12 of 12 Board of Directors meetings. (*)</td>
</tr>
<tr>
<td></td>
<td>Hiroyuki Ina</td>
<td>☐</td>
<td>Senior Executive Officer, DENSO Corporation Business partner of the Company</td>
<td>Mr. Ina was elected as a director because it was deemed that he could reflect his many years of experience and broad insight into business management of the electronic components that form the backbone of an automobile and contribute to the maintenance and strengthening of the Company’s corporate governance.</td>
<td>(*)</td>
</tr>
<tr>
<td>Audit &amp; supervisory board members</td>
<td>Hirohiko Yokoyama</td>
<td>☐</td>
<td>Executive Advisor, Daihatsu Motor Co., Ltd.</td>
<td>Mr. Yokoyama was elected as an audit &amp; supervisory board member because it was deemed that he could reflect his experience in the Quality Assurance Division and at overseas locations at Toyota Motor Corporation, as well as his extensive experience and insight gained at Daihatsu, in the audit system of the Company and contribute to the maintenance and strengthening of the Company’s corporate governance.</td>
<td>Attended 10 of 10 Board of Directors meetings. (*)</td>
</tr>
<tr>
<td></td>
<td>Masakazu Aida</td>
<td>☐</td>
<td>——</td>
<td>Mr. Aida was elected as an audit &amp; supervisory board member because he has many years of experience as a manager and it was deemed that he could reflect this extensive experience and broad insight he has gained in the audit system of the Company and contribute to the maintenance and strengthening of the Company’s corporate governance.</td>
<td>Attended 10 of 10 Audit &amp; Supervisory Board meetings. (*)</td>
</tr>
</tbody>
</table>

*1 Director Akihiro Yokoyama was elected as an outside director at the 93rd Ordinary General Meeting of Shareholders held on June 13, 2018, and following his selection, Board of Directors meetings were held 10 times.
*2 Director Hiroyuki Ina was elected as an outside director at the 94th Ordinary General Meeting of Shareholders held on June 12, 2019.
*3 Audit & supervisory board member Hirohiko Yokoyama was elected as an outside audit & supervisory board member at the 94th Ordinary General Meeting of Shareholders held on June 12, 2019.
*4 Audit & supervisory board member Masakazu Aida was elected as an outside audit & supervisory board member at the 93rd Ordinary General Meeting of Shareholders held on June 13, 2018, and following his selection, Board of Directors meetings were held 10 times and Audit & Supervisory Board meetings were held 10 times.

### Policy and procedure for determining officers’ compensation

#### Basic approach

The compensation system for directors (excluding outside directors), operating officers and other similar personnel is based on a reasonable and systematic framework that assures compensation is closely linked to overall company performance and that reflects job roles and responsibilities.

Compensation comprises monthly compensation (fixed amount) and bonus (amount dependent on results). Bonuses in particular are determined based on consolidated operating profit for each business year and upon giving comprehensive consideration to such factors as the degree of enhancement of corporate value (social value and economic value) over the medium and long term, dividends, company member bonus levels, trends at other companies and actual past bonus payments.
No bonuses are paid to outside directors and audit & supervisory board members because their role is to handle supervision and monitoring functions from an independent position.

A resolution concerning compensation was passed at the Ordinary General Meeting of Shareholders on June 14, 2012 in which the maximum amount of compensation was set at ¥50 million a month for all directors and ¥8 million a month for all audit & supervisory board members. The amount of compensation for each officer is determined within the scope of these totals.

The Management Advisory Council deliberates on compensation and other matters and makes recommendations to the Board of Directors in light of its findings before a decision is made.

The Management Advisory Council convened on March 29, 2019 as part of the process to determine compensation for executives for fiscal 2019.

**Executive compensation system**

**Monthly compensation**

The amount of compensation is determined based on the different ranks and positions in line with the role and work responsibilities as director and operating officer.

The amount of monthly compensation is determined in a reasonable manner by multiplying the standard total amount of compensation for the officers by a set percentage depending on work responsibilities.

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

**Bonuses**

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

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

**Directors’ compensation**

Fiscal 2019 executive compensation for Company directors and audit & supervisory board members was as detailed below.

<table>
<thead>
<tr>
<th></th>
<th>Directors</th>
<th>Audit &amp; supervisory board members</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company members</td>
<td>Amount</td>
<td>Company members</td>
</tr>
<tr>
<td>Directors’ compensation</td>
<td>13 directors (5 directors)</td>
<td>348 million yen (43 million yen)</td>
<td>6 audit &amp; supervisory board members (3 audit &amp; supervisory board members)</td>
</tr>
<tr>
<td>Directors’ bonuses</td>
<td>6 directors (—)</td>
<td>149 million yen (—)</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>497 million yen (43 million yen)</td>
<td>—</td>
</tr>
</tbody>
</table>

Note: The above table includes the portions for three directors and two audit & supervisory board members (including one outside audit & supervisory board member) who retired at the conclusion of the 93rd Ordinary General Meeting of Shareholders held on June 13, 2018.
Board of Directors

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

Support structure for outside directors and audit & supervisory board members

Internal directors and standing audit & supervisory board members provide explanations about required knowledge pertaining to areas such as the Company's businesses, financial affairs and organisations when outside directors and outside audit & supervisory board members assume office.

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

Evaluation results of the effectiveness of the Board of Directors

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

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

[Interview items]
- Composition of the Board of Directors  
- Report provided for discussion by the Board of Directors  
- Opinion on and requests to the Management Advisory Council  
- Agenda and status of discussion by the Board of Directors  
- Support of outside directors

[Overview of Fiscal 2019 evaluation results]
- The effectiveness of the Board of Directors in making important management decisions and monitoring business execution was confirmed as a result of continued improvements that included streamlining the Board, increasing the ratio of outside directors, sending out materials and providing explanations to outside directors prior to meetings, and delegating authority to the team for executing agenda to narrow down items to those that are most prevalent.
- Although the Management Advisory Council held discussions on director nominations and compensation after its establishment in July 2018, there is a need to conduct regular reviews of how to proceed with discussions on management issues, including agenda items and date.
- There is a need to further improve support of outside directors.

[Key challenges and improvement measures]

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

- The Company continues to take steps to enhance the diversity of its members, but in response to current circumstances, we will foster human resources internally to secure female members and promote the establishment of an environment that encourages English to secure non-Japanese members.
- In addition to deciding on individual business operations, we will identify strategic themes for debate at the Board of Directors and Management Advisory Council and formulate annual plans to enhance strategy discussions.
- We will provide information related to risk assessments and further enhance reports on the status of business execution as materials to aid in important decisions.
- We will systematically implement facility inspections in Japan and overseas for outside directors since this will deepen their understanding of the Company.
The Toyota Boshoku group states in its corporate philosophy that the Company will seek to promote corporate growth while fulfilling its responsibilities as a good corporate citizen. At the same time, the Company clarifies its overall promotion system, scope of activities and goals for compliance in each region, including Japan, and conducts activities under strong leadership from top management, while personnel in charge of legal affairs in each region share knowledge of issues as well as improve and strengthen compliance activities.

In addition to antitrust laws and anti-bribery measures, the importance of making considerations for human rights is also increasing. Toyota Boshoku works to raise members’ awareness of compliance and human rights and enhance the level of implementation through various training and educational activities for executive officers and members in order to ensure compliance with laws and regulations as well as co-existence with local communities by respecting various cultures, values and individuality. We have a global legal risk management system, while continuously taking steps to increase awareness of the whistle-blowing system globally and making continuous improvements to the whistle-blowing system.

The Toyota Boshoku group implements education and training using the Toyota Boshoku group code of conduct (code of conduct) (see page 7), the basis of its compliance, as a teaching material. We strive to strengthen the permeation and practical application of the code of conduct at the workplace level. We also seek to raise compliance awareness by providing training via e-learning on the topics of compliance, the code of conduct and the whistle-blowing system and by undertaking Toyota Boshoku group Corporate Ethics Month activities.

The Toyota Boshoku group appropriately values its own intellectual property and we continuously work to enhance the protection and utilisation of our intellectual property with the view that it is a key management asset essential for global business development.

In fiscal 2020, we will endeavour to strengthen cooperation with design and development departments in each business group and region as well as our system for intellectual property cooperation with key sites overseas.
The Toyota Boshoku group is working to comprehensively reinforce risk management and reduce risk in order to respond swiftly to major risk that includes management risk, risk in daily operations, risk such as disasters and accidents, risk arising from the external environment such as global warming and water and social reputation risk*.

* Risk of losing societal trust

Nonetheless, we will work on our risk assessment company-wide from fiscal 2020 since we have been unable to identify all risks in our activities to date and the implementation of risk measures and continuous monitoring have been insufficient.

Through risk management, we aim to: (1) Identify all risks without exception; (2) Prioritise the different risks; (3) Share the objectives of measures and evaluate progress; and (4) Continuously improve risk management.

Principal risk management initiatives

Toyota Boshoku formulated 12 priority initiative themes in the three areas of business continuity, reputation and compliance between fiscal 2017 and fiscal 2019. We have strengthened risk management company-wide by sharing the state of progress of risk response activities at the Risk Management Promotion Meeting, which was established in order to prevent risks and minimise damage.

Nonetheless, we will work on our risk assessment company-wide from fiscal 2020 since we have been unable to identify all risks in our activities to date and the implementation of risk measures and continuous monitoring have been insufficient.

Through risk management, we aim to: (1) Identify all risks without exception; (2) Prioritise the different risks; (3) Share the objectives of measures and evaluate progress; and (4) Continuously improve risk management.

Key initiatives in risk management up to fiscal 2019

<table>
<thead>
<tr>
<th>Business continuity</th>
<th>Reputation</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indispensable processes and facilities</td>
<td>Respond to overwork</td>
<td>Establish legal risk management structure</td>
</tr>
<tr>
<td>Production plant explosions / fires</td>
<td>Prevent supplier data falsification</td>
<td>Global-wide activities by the security export control structure</td>
</tr>
<tr>
<td>Supplier issues</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labour risk overseas (strikes)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reconfirm role of organisations and prepare manuals that complete initial response—restoration / reconstruction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Initial response when misconduct scandal occurs</td>
<td>Respond to GDPR</td>
</tr>
<tr>
<td></td>
<td>Prevent mental health disorders</td>
<td></td>
</tr>
</tbody>
</table>
Toyota Boshoku has prepared a risk inventory chart comprising 10 classifications and 42 items for fiscal 2020. On this chart, we will plot the degree of importance of each risk from the perspectives of impact and ability to respond. We will then determine the degree of risk in five stages based on importance and possibility of occurring, and position the risk on the risk map so we can select company-wide priority risk areas. We will make further improvements to this chart in 2020 and beyond and run it through a plan-do-check-act (PDCA) cycle.

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

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

In fiscal 2019, we conducted training on management risk and security risk for executive officers as well as drills concerning response to computer incidents.

### Supplier recovery support

Toyota Boshoku supported the production recovery of a supplier affected by the heavy rain that fell in west Japan in July 2018. Around 60 members came together to help clean up inside the plant that was damaged by floodwater and support alternate production at other plants while also lending a hand to local residents. This also provided us with the chance to think about the impact of initial response on recovery speed, including the identification of accurate information in a timely manner and clarification of roles inside and outside the Company. We are pursuing the creation of a sturdier risk management system, for example, by reflecting our own issues identified through disaster recovery efforts in future response measures.

### Action plan for fiscal 2020

Confidentiality and information security management

<table>
<thead>
<tr>
<th>Classification</th>
<th>Importance</th>
<th>Impact</th>
<th>Ability to respond</th>
<th>Possibility of occurring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-scale disaster</td>
<td>Degree of importance</td>
<td>Degree of risk</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Production and logistics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information security</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply chain</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economics, society</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Degree of risk = Importance × Ability to respond

Possibility of occurring
Initiatives to Contribute to Social Value

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

Fiscal 2019 Action Topics

Together with Stakeholders
- Customers  ▶ Intensifying efforts to raise operational quality through activities to secure the Deming Prize
- Shareholders and Investors  ▶ Continuing to provide stable dividends over the long term
- Company members  ▶ Promoting “innovation of vibrant work style” ▶ Advancing diversity and inclusion ▶ Enhancing specialised skills related education ▶ Further promoting CSR procurement
- Business partners

Environmental Activities
- Six Stretch Environmental Goals and Examples of Initiatives
Social Activities

Together with Stakeholders

The Toyota Boshoku group contributes to customers, shareholders, investors, company members and suppliers through continued efforts to implement our corporate philosophy each day. These activities serve to drive growth for the entire group as well as for all stakeholders and individual company members.

Together with Customers

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

Establish global quality assurance system

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

Establish framework to maintain the independence of quality and strengthen ties with customers

Toyota Boshoku maintains independence in its quality control function by ensuring clear roles and responsibilities for manufacturing management, quality control and manufacturing. In fiscal 2020, we introducing the Quality First Leader (QFL) system to foster a corporate culture that encourages top management to work sincerely toward quality enhancement. The system sees the Product Business Unit, Regional Business Unit and Functional Collaboration Reinforcement Unit join forces at the global level.

Establish process quality and standardisation to realise sustainable growth

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

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

Basic plant requirements clarifying plant management are being deployed around the world. This serves to raise the level of independence at each plant. Initiatives under the Supplier Process Improvement Activity (SPIA) program, which is conducted in collaboration with suppliers, involves the sharing of weaknesses and concerns, undertaking countermeasures and advancing standardisation.
Efforts to achieve quality beyond customers’ expectations

Enhancing the quality of technical drawings through front loading

The Toyota Boshoku group is striving to prevent issues in quality by reviewing and eliminating problems that can be envisioned in each division from the earliest stage of product development, which involves gathering together members from respective divisions, including design, production engineering, quality assurance, quality control, manufacturing and suppliers, and factoring the findings into design and evaluation standards. In addition, we conduct original market research to analyse usage by customers and temporal changes, which are to be reflected in design and evaluation standards in an effort to raise J.D. Power’s IQS*1 evaluation.

Raise process quality through activities to secure the Deming Prize

Toyota Boshoku applies TQM to secure capabilities in terms of organisation, processes and members required for sustainable growth and to realise our vision. Enhancing the process quality of each company member so as to eliminate loss, improve efficiency and reduce costs will help increase earnings.

Reinforcement and entrenching of TQM activities

Toyota Boshoku’s Kariya Plant and Sanage Plant won the Recognition of TQM Achievement*5 under the Japan Quality Recognition Award program in September 2018 as the first step toward winning the Deming Prize in 2021, which is granted as proof that a supplier is implementing TQM activities effectively.

Fostering a quality-oriented corporate culture and human resources development

The Global Quality Learning Centre (GQLC) is a facility for listening to customer feedback and experiencing cases of quality issues. In fiscal 2019, GQLCs were established at the Regional Management & Collaboration Hubs (RM&CH) in The Americas, Asia & Oceania, China and Europe & Africa. A total of 30,000 company members have visited the GQLCs to learn the importance of our Customer First and Quality First principles from an end-user perspective.

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

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

*5 An award issued by the Union of Japanese Scientists and Engineers that recognises organisations that contribute to enhanced corporate performance as well as quality management
The Toyota Boshoku group actively promotes efforts to disclose information and communicate in an appropriate and timely manner in addition to striving to enhance corporate value so as to earn the trust and support of shareholders and investors.

**Enhancement of corporate value and reinforcement of information disclosure**

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

**Distribution of profits to shareholders**

In continuing to place priority on providing shareholders with long-term stable dividends, annual cash dividends of 56 yen per share were paid for the fiscal year under review. We will actively invest profit generated through our business activities into growth areas to maximise total basic earnings per share (see page 67) and increase shareholder value.

**Key initiatives in fiscal 2019**

- **General Meeting of Shareholders** (June 13, 2018)
  - No. in attendance: 350
  - Voting participation: 88.62%

- **Dialogue with institutional investors and analysts**
  - Total: 298 companies
  - Individual meetings: 144 companies
  - Financial results briefings: 133 companies, 189 persons
  - Facility tours for institutional investors and analysts [Toyota Boshoku (China)]: 4 companies
  - Conferences with institutional investors outside Japan: 17 companies, 19 persons

- **Dialogue with individual investors**
  - Corporate information sessions for individual investors: 5 times, 361 persons
Together with Company Members

**Basic Stance**

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

**Respect for humanity**

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

**Stable employment with fair and honest evaluations and working conditions**

Based on a good labour-management relationship, labour and management work to fulfill respective responsibilities in an effort to ensure stable employment in which layoffs are duly given careful consideration and to maintain and steadily improve working conditions from a mid- and long-term perspective. In addition, Toyota Boshoku promotes the development of human resources by conducting evaluations that use standards reflecting our core values and also provides fair and honest conditions for all members.

**Promote “innovation of vibrant work style”**

“Innovation of vibrant work style” refers to the Toyota Boshoku group’s challenge to reform the organisation and culture. Our aim is to create a workplace where members can work happily and vibrantly and that is more flexible, efficient and creative. We have steadily enhanced member satisfaction measuring the effectiveness of the activity (KPI on vibrant work environment) primarily by continuing to promote systematic and efficient business operations and the digitisation of documents. From fiscal 2020, Toyota Boshoku will introduce a telework program for administrative and engineering-related members, thereby increasing options and ensuring diverse working styles.

**Basic concept of Human Resources Management (HRM)**

Establish a relationship of mutual trust and respect

- Ensure stable employment in which layoffs are duly given careful consideration
- Maintain and steadily improve working conditions from mid- and long-term perspective
- Ensure Fairness and Consistency
- Secure and train best-suited persons
- Safe working environment
- Share common values
- Share awareness and sense of critical urgency
- Affirmative and proactive cooperation in company activities
- Maximise team performance and achieve satisfactory outcomes

**Overview of “Innovation of vibrant work style”**

Increase productivity

A workplace where members can work happily and vibrantly, which in turn stimulates autonomous kaizen

- Respect members’ time
- Respect members’ motivation

Directors take the lead role

Revise work and innovate work styles

Effectively utilise IT systems

Reform office

Enhance human resources (HR) platform

Promote improvement and human resources development through high-quality guidance and communication between supervisors and subordinates

**Company members’ satisfaction: Positive response rate (KPI on vibrant work environment)**

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company members’ satisfaction: Positive response rate (%)</td>
<td>59.4</td>
<td>61.5</td>
<td>65.0</td>
<td>66.0</td>
<td>67.8</td>
</tr>
</tbody>
</table>
Global HR strategy

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

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

Promoting diversity and inclusion

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

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

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

Promoting active roles for female members

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

Creating people-friendly processes and environments

Toyota Boshoku is designing people-friendly processes, systems and environment as well as educating managers and supervisors so that members with disabilities, female members and older personnel can work easily and vibrantly.
Specialised skills related education

The Toyota Boshoku group strives to enhance and pass on manufacturing skills globally in order to raise workplace abilities with the aim of fostering human resources who can achieve the highest levels of safety, quality and delivery.

In fiscal 2019, we continued working to foster exceptional supervisors, establish excellent manufacturing skills, strengthen maintenance skills, develop members who always work safely and nurture core young human resources. We launched Plant Management Requirement (PMR) training, which is structured around a philosophy of plant management based on basic plant requirements. The PMR training covers safety, quality, production, cost, personnel, production preparation and environment. Also, for our hearing impaired production members, we provide sign language interpretation for Safety Sensation Dojo (simulated accident dojo) training and for Technical Skills Acquisition training which includes Safety, Quality, Toyota Production System (TPS), and Total Productive Maintenance (TPM). In fiscal 2020, we will look to strengthen maintenance capabilities globally to bolster our manufacturing, which will include cleaning, inspecting and repairing dies in-house.

Toyota Boshoku Technical Skills Academy

Toyota Boshoku promotes the development of young members in mind, body and spirit who will be able to operate on a global level and will become core members of the organisation. Every year, we nurture members who can play active roles in the workplace by providing a variety of experiences such as training in Canada and activities with other academies. The Academy is also accepting young members from our overseas affiliates.

Promoting a global safety and health culture

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

In fiscal 2019, we conveyed Toyota Boshoku’s stance on fire prevention and conducted management-led inspections in the area to ensure no fires that endanger lives in accordance with this policy.

Toyota Boshoku was once again this year recognised as an Excellent Enterprise of Health and Productivity Management–White 500 by the Ministry of Economy, Trade and Industry for conducting medical checkups for all company members, implementing activities to prevent lifestyle-related diseases and lowering the smoking rate. We will continue enhancing health awareness among members by making plans in such areas as promoting exercises, dietary habits and mental health.
Toyota Boshoku requests the following for its basic supplier agreements: (1) Respect of human rights and building awareness of social responsibility in the supply chain; (2) Prohibiting bribery; (3) Ensuring fair transactions; and (4) Removing antisocial forces. Furthermore, we are working to strengthen CSR throughout the supply chain. This includes complying with laws and regulations pertaining to antitrust laws, subcontracting laws, labour laws and environmental laws in Japan as well as similar laws and regulations in respective countries and regions.

In fiscal 2019, we expanded this initiative globally so we can enable CSR-related procurement throughout the supply chain. In addition, we continue to respond to regulatory issues concerning conflict minerals* and are conducting surveys by going back along secondary and tertiary suppliers. At Toyota Boshoku, we conducted a self-check on purchasing ethics and an internal audit for all departments related to orders and confirmed that there were no cases of serious breaches. There were also no reports of dishonesty in a survey regarding supplier satisfaction.

In September 2019, we plan to conduct a satisfaction survey for business partners through a third-party institute in order to maintain fairness.

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

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

A workshop on Supplier CSR Guidelines

Self-assessment on CSR

100% response rate from 446 companies

Global Annual Supplier Meeting

We held the Toyota Boshoku Global Annual Supplier Meeting, which was attended by 174 supplier companies from Japan, The Americas, Asia & Oceania, China and Europe & Africa. We aimed to strengthen cooperation globally and fostered a sense of unity.

Awards were presented to 16 supplier companies during the meeting.
Environmental Activities

Aiming for a Sustainable Global Environment for Our Children

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

Overview of initiatives in fiscal 2019

Toyota Boshoku has been implementing environmental activities toward the realisation of our 2020 Environmental Action Plan under our 2050 Environmental Vision. In fiscal 2019, we focused on initiatives aimed at the (1) Challenge of achieving zero CO2 emissions in the Toyota Boshoku group, one of the six environmental challenges outlined in our 2050 Environmental Vision. In addition to a target for 2020, we formulated a target for 2030 as a medium- to long-term target and pushed forward with initiatives to help us get there. We also made steady efforts to achieve targets under our other challenges, and in fiscal 2019 realised all targets in such areas as CO2 emissions, waste generation and water consumption.

In fiscal 2020, we will continue tirelessly implementing environmental improvement activities as a unified group toward the realisation of our 2020 Environmental Action Plan and in view of our desired stance in 2050.

2050 Environmental Vision

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

Vision

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

Environmental Goals to 2050

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
To achieve our six Stretch Environmental Goals

Here we introduce our main initiatives for fiscal 2019 that were implemented to achieve the targets set under our 2020 Environmental Action Plan and our 2030 targets based on our 2050 Environmental Vision.

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

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

**Deployed 2030 target globally**

In fiscal 2019, Toyota Boshoku undertook efforts worldwide to achieve our 2030 target with a view to the medium and long term in response to global demands to reduce greenhouse gas emissions and limit the increase in global warming to below 2°C in accordance with the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the Paris Agreement and other protocols. We are working to make daily improvements at our plants by conserving energy, for example, as well as streamlining facilities, promoting production engineering and development with an awareness of energy consumption, raise production efficiency using the Internet of Things (IoT) and reduce the amount of energy used in production. In addition, we will prepare plans at each business entity to reduce energy consumption that factors in the use of renewable energy and also contributes to a reduction in CO₂ group-wide as part of our response to climate change.

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

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

**More compact and lighter products and reduction in CO₂ emissions throughout the life cycle**

It is said that the majority of CO₂ emissions throughout the life cycle of a vehicle are accounted for when driving. For that reason, we are taking steps in development and design based on the idea that reducing vehicle weight and size contribute to better fuel efficiency and a reduction in CO₂ emissions.

In fiscal 2019, door trim using high-impact resistant plastic, a resin material with world-class impact resistance, has been employed in the new model Crown. The use of foam moulding technology has enabled a reduction of around 20% in weight compared with conventional base material while maintaining advanced impact resistance.

On our website, we introduce our 2020 Environmental Action Plan (targets and results), key performance data and detailed initiatives. The **Web** mark indicates that more detailed information can be found on our website.
Water Environment Ecology Technology Systems (Weets)
Toyota Boshoku develops cooling and circulating water purification systems. These systems prevent and remove scale that adheres to metal cooling pipes. There are high expectations for use in conserving energy since the systems can cool inside moulds and dies in a uniform manner and reduce mould defects caused by insufficient cooling while rendering unnecessary the cleaning of the inside of the pipes. We will begin external sales of these systems in fiscal 2020 and look to expand sales going forward.

Reducing waste by improving water tank drainage in the bumper painting process
In the bumper painting process at Toyota Boshoku Shiga, wastewater containing paint was kept in a water tank during the painting process and the scum was removed through a system that forces it to the surface. Changing the chemical agent to achieve this recovery has enhanced the detackification and agglomeration of the paint scum. This in turn has significantly enhanced the recovery rate of the paint scum. As a result, the water content of paint scum has been reduced from 80% to 48.5%, suppressing the amount of water replenishment required in the water tank. Water consumption has therefore been cut by 13t, with the amount of annual waste reduced from 87t to 64t.

Employing door trim using kenaf in the LEXUS UX
Toyota Boshoku continues to develop products using kenaf, which grows quickly and has high CO2 absorption capabilities, with the aim of enhancing fuel efficiency and cutting CO2 emissions by reducing vehicle weight. Such products are being used in a broad array of automotive components. In December 2018, door trim using kenaf was utilized in the LEXUS UX. Previously, kenaf was commonly used for the bottom part of the door trim, but the latest development has expanded application to the top section of the door trim, resulting in a more environmentally friendly product relative to its predecessor while realising the same reduction in weight.
Toyota Boshoku’s reforestation activities
The Toyota Boshoku group’s reforestation activities have spread around the world and tree-planting efforts continue in each region. Although we are progressing toward our target of planting 1,320,000 trees by 2050, we missed our target of 54,000 trees for fiscal 2019 with a total of 34,060 trees. Going forward, we will further deepen cooperation with NGOs and other related groups to increase our tree-planting and reforestation activities worldwide. We are determined to catch up on delays to plans from fiscal 2020 so we can meet our goal of 500,000 trees for 2020.

High acclaim for reforestation activities in China’s Inner Mongolia Autonomous Region
Toyota Boshoku (China) has been undertaking reforestation activities aimed at preventing desertification in conjunction with different organisations since 2013. Approximately 56,000 seedlings have been planted in the Tengger Desert in the Inner Mongolia Autonomous Region over the past six years. In recognition of these activities, Toyota Boshoku (China) was presented with an award for contributing to the ecosystem in China by the State Forestry Administration in September 2018.

Environmental Management
ISO 14001: 2015 certification
All business entities in Japan completed the transition to ISO 14001:2015, the new version of the standard, in fiscal 2018. Business entities in regions outside Japan completed the transition in fiscal 2019.

ISO 14001:2015 certification activities

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>The Americas</th>
<th>Asia &amp; Oceania</th>
<th>China</th>
<th>Europe &amp; Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed transition in fiscal 2018 (companies)</td>
<td>16</td>
<td>6</td>
<td>10</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Completed transition in fiscal 2019 (companies)</td>
<td>—</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sub total (companies)</td>
<td>16/16</td>
<td>11/11</td>
<td>13/13</td>
<td>13/13</td>
<td>8/8</td>
</tr>
<tr>
<td>Plan to complete transition in fiscal 2020 (companies)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Initiatives in the local community
The water quality general wastewater treatment facility at the Sanage Plant is constantly being monitored. Wastewater is reused to flush the toilets and in other ways to reduce water consumption and improve recycling. Local children are also invited to the plant to learn about the state of the global water shortage and the importance of water through hands-on experience of the wastewater treatment process and water quality analysis methods. The effects of water treatment are conveyed in an easy-to-understand manner such as the introduction of monitoring using killfish to manage effluent in rivers. Through these activities, we aim to create a sustainable Earth together with local communities.
# KPIs for Fiscal 2019 CSR Initiatives: Targets and Results

The Toyota Boshoku group constantly reviews management indicators in an effort to improve CSR activities so that our various corporate activities lead to the enhancement of corporate value.

## Stakeholder KPI (KPI critical for enhancing social value)

<table>
<thead>
<tr>
<th>Stakeholder KPI (KPI critical for enhancing social value)</th>
<th>FY 2019 targets</th>
<th>FY 2019 results</th>
<th>Evaluation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local communities &amp; global society</td>
<td>Return profits to society</td>
<td>Sustainable tax payments to local or national authorities</td>
<td>Make tax payments in all countries</td>
<td>Payments made</td>
</tr>
<tr>
<td></td>
<td>Establishment of a low-carbon society</td>
<td>Environmental conservation</td>
<td>CO₂ emissions and ratio of CO₂ reduction with basic unit (t-CO₂, t-CO₂/units)</td>
<td>Reduce 2%/year</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>Innovative technologies</td>
<td>Number of world-first products developed</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Provision of outstanding quality / Customers first</td>
<td>IQS*1 evaluation of seats by J.D. Power</td>
<td>Standardise evaluation method for market quality and product appeal</td>
<td>Prepared a vehicle benchmark survey and standardised evaluation</td>
</tr>
<tr>
<td>Shareholders and Investors</td>
<td>Return profits to shareholders</td>
<td>Equity turnover ratio</td>
<td>4.4 times</td>
<td>4.8 times</td>
</tr>
<tr>
<td></td>
<td>Sustainable capitalisation by delivery of dividends (payout ratio)</td>
<td>Annual dividend: 56 yen</td>
<td>56 yen (37.9%)</td>
<td>○</td>
</tr>
<tr>
<td>Business partners</td>
<td>Respect for company members</td>
<td>Company members’ satisfaction (KPI on vibrant work environment)</td>
<td>Over 70% positive response rate to &quot;satisfied with corporate life&quot; question</td>
<td>67.8%</td>
</tr>
<tr>
<td></td>
<td>Fair/transparent dealings</td>
<td>Compliance with guidelines for promoting fair transactions with subcontractors, etc.</td>
<td>Compliance: 100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

## CSR KPI (KPI contributing to enhanced social value)

<table>
<thead>
<tr>
<th>CSR KPI (KPI contributing to enhanced social value)</th>
<th>FY 2019 targets</th>
<th>FY 2019 results</th>
<th>Evaluation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Implementation level for Guiding Principles</td>
<td>90%</td>
<td>84.5%</td>
<td>△</td>
</tr>
<tr>
<td>Confidentiality management</td>
<td>Number of confidential information leaks</td>
<td>0</td>
<td>0</td>
<td>○</td>
</tr>
<tr>
<td>Compliance with laws and regulations</td>
<td>Number of bribery violations</td>
<td>0</td>
<td>0</td>
<td>○</td>
</tr>
<tr>
<td>Fair/transparent dealings</td>
<td>Number of violations of antitrust laws</td>
<td>0</td>
<td>0</td>
<td>○</td>
</tr>
<tr>
<td>Environmental conservation</td>
<td>Number of environmental abnormalities and complaints*2</td>
<td>0</td>
<td>0</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Ratio of waste reduction with basic unit (t/unit)</td>
<td>Reduce 1%/year</td>
<td>Reduce 1.1%/year</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Rate of reduction in water consumption with basic unit (m³/unit)</td>
<td>Reduce 0.5%/year</td>
<td>Reduced by 0.6%/year</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Number of trees planted as part of reforestation activities</td>
<td>54,000 trees/year</td>
<td>34,060 trees/year</td>
<td>×</td>
</tr>
<tr>
<td>Social contribution</td>
<td>Number of volunteer activity participants (Japan)</td>
<td>Total number: 7,200</td>
<td>Total number: 7,708</td>
<td>○</td>
</tr>
</tbody>
</table>

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

*2 Abnormities: In case of physical damage or psychological effects on account of the company.

Complaints: In case of contact from a local citizen, government, etc., alleging physical damage or psychological effects on account of the company.

* Items disclosed for the first time in fiscal 2019 are marked with "new".
<table>
<thead>
<tr>
<th>CSR KPI</th>
<th>FY 2019 Targets</th>
<th>FY 2019 results</th>
<th>Evaluation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Number of prize-winning technology awards</td>
<td>More than one award</td>
<td>Customer awards for quality (Japan; 1, Asia &amp; Oceania: 3, China; 4, Europe &amp; Africa: 2)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Number of prize-winning quality awards</td>
<td>More than one award in each region</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>Shareholders and Investors</td>
<td>Compliance with timely and appropriate disclosure</td>
<td>Compliance: 100%</td>
<td>—</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Dialogue with investors</td>
<td>Investors’ satisfaction: Positive response rate: 70%</td>
<td>—</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Provide impartial information to individual investors</td>
<td>Individual investors’ satisfaction: Positive response rate: 70%</td>
<td>—</td>
<td>52</td>
</tr>
<tr>
<td>Respect for company members</td>
<td>Number of female managers</td>
<td>22 persons</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Designated employment rates of persons with disabilities</td>
<td>Maintain employment rate 2.20%</td>
<td>2.20% (as of April 2019)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Company members turnover rate of less than 3 years of joining the company</td>
<td>2.5% or less (approx. 14 persons)/year</td>
<td>1.7% (10 persons)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Encouragement to take paid holidays</td>
<td>Incidence of people taking minimal paid leave</td>
<td>Zero incidence of union members taking less than 12 days/year</td>
<td>40 union members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Zero incidence of managers taking less than six days/year</td>
<td>44 managers</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Rate of people taking 3-day paid leave: 100%</td>
<td>—</td>
<td>98.2%</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overtime hours (Union members 660 hours/year)</td>
<td>Zero incidence of union members working more than 660 hours of overtime per year</td>
<td>0 persons</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overtime hours (Union members 70 hours for three consecutive months)</td>
<td>Zero incidence of union members working 70 hours of overtime for three consecutive months</td>
<td>0 persons</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overtime hours (Managers 80 hours/month)</td>
<td>Zero incidence of managers working over 80 hours of overtime per month</td>
<td>72 persons</td>
<td>—</td>
</tr>
<tr>
<td>Safety/Health</td>
<td>Number of fatal accidents (company members, temporary workers, fixed term workers)</td>
<td>0</td>
<td>0</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Consultation ratio for legal health check/ Voluntary health check</td>
<td>100% consultation ratio for health checks in Japan region 100% in regions outside Japan</td>
<td>100% 100%</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Lifestyle disease: Ratio of persons with BMI of 25 or above</td>
<td>Target person ratio: 24.2% or less</td>
<td>28.9%</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Lifestyle disease: Smoking rate</td>
<td>33.9% or less</td>
<td>33.7%</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Stress check execution rate</td>
<td>100%</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Business practices</td>
<td>Hold briefing on Toyota Boshoku group Supplier CSR Guidelines</td>
<td>1/year</td>
<td>Held in September 2018</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Ensure suppliers conduct self-assessment</td>
<td>1/year Response rate of questionnaires: More than 95%</td>
<td>Held in September 2018 Response rate: 100%</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Supplier satisfaction</td>
<td>Cases of dishonest whistle-blowing: 0</td>
<td>Cases of dishonest whistle-blowing: 0</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Conduct a self-check and internal audit on purchasing ethics inside Toyota Boshoku (departments related to purchasing and subcontracting)</td>
<td>1/year</td>
<td>Held in August 2018</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Conduct a self-check and internal audit on purchasing ethics inside Toyota Boshoku (departments related to purchasing and subcontracting) (Cases of serious breach)</td>
<td>Cases of serious breach: 0</td>
<td>Cases of serious breach: 0</td>
<td>—</td>
</tr>
<tr>
<td>Safety</td>
<td>Number of significant incidents by non-Toyota Boshoku group workers or members</td>
<td>Significant incidents: 0</td>
<td>Significant incidents: 0</td>
<td>—</td>
</tr>
</tbody>
</table>

Disclosure items added from fiscal 2019 are marked with "new."
Financial Review

Overview of fiscal 2019 (year ended March 31, 2019)

From fiscal 2019 the Toyota Boshoku group has adopted International Financial Reporting Standards (IFRS) and figures for fiscal 2018 have also been restated based on IFRS.

Looking at the world situation, although the growth rate of the US economy surpassed that of the previous year, the economic growth rates of Europe and China declined. At the same time, there are rising uncertainties that include protectionist policies in some regions that are being accompanied by trade frictions in addition to Brexit-related problems in Europe. There are also concerns of a slowdown of the Japanese economy, reflecting such factors as stagnating exports due to the impact of the deceleration of the Chinese economy.

Seat production volume
The Toyota Boshoku group’s total seat production volume on a consolidated basis rose 110,000 units from fiscal 2018 to 7.51 million seats. By geographic region, in Japan seat production volume amounted to 3.16 million seats, virtually the same level as in fiscal 2018. In The Americas, total seat production volume declined 50,000 units from fiscal 2018 to 1.11 million seats due to decreased production in North America. In Asia & Oceania, seat production rose 160,000 units from fiscal 2018 to 2.35 million seats due mainly to increased production in China. In Europe & Africa, seat production amounted to 890,000 seats, the same level as in fiscal 2018.

Profits and losses

Revenue [Net sales]
Revenue [net sales] increased 9.9 billion yen (0.7%) from fiscal 2018 to 1,417.3 billion yen due to such factors as increased production in Asia & Oceania.

Operating profit
Despite such income-increasing factors as the impact of higher production and the implementation of rationalisation measures, operating profit decreased 13.1 billion yen (17.7%) from fiscal 2018 to 61.2 billion yen due to such income-reducing factors as the impact of higher overhead costs.
### Profit before income taxes
Profit before income taxes decreased 14.3 billion yen (18.9%) from fiscal 2018 to 61.4 billion yen due to a decline in operating profit and a decrease in foreign exchange gains.

### Income tax expense
Income tax expense increased 4.1 billion yen (17.8%) from fiscal 2018 to 27.3 billion yen. The ratio of profit before income taxes increased from 30.6% in fiscal 2018 to 44.5%.

### Profit attributable to owners of the parent
Profit attributable to owners of the parent decreased 17.3 billion yen (38.7%) from fiscal 2018 to 27.4 billion yen.

![Profit attributable to owners of the parent (Japanese GAAP)](chart)

#### Revenue [net sales] and operating profit by geographic region
Revenue in Japan increased 37.1 billion yen (4.8%) from fiscal 2018 to 799.9 billion yen due to such factors as a model mix change. Despite the effects of rationalisation, operating profit declined 19.2 billion yen (74.4%) from fiscal 2018 to 6.5 billion yen due to the impact of product price changes, increased production preparation costs for new products and the impact of upfront investments for strengthening competitiveness in addition to the impact of an Advance Pricing Arrangement (APA). In The Americas, revenue declined 18.8 billion yen (6.6%) from fiscal 2018 to 266.8 billion yen due to the impact of decreased production as well as the impact of currency depreciation in South America. Despite such income-reducing factors as the impact of currency exchange rates, increased production preparation costs and the production end of some vehicle models, operating profit increased 9.7 billion yen (88.2%) from fiscal 2018 to 20.8 billion yen due to the impact of an Advance Pricing Arrangement (APA). In Asia & Oceania, despite the impact from the end of production in Oceania, revenue increased 13.5 billion yen (3.9%) from fiscal 2018 to 352.8 billion yen. Despite such income-increasing factors as the impact of higher production and the effects of rationalisation, operating profit decreased 7.6 billion yen (22.5%) from fiscal 2018 to 26.2 billion yen due to the impact of an Advance Pricing Arrangement (APA). In Europe & Africa, revenue decreased 1.6 billion yen (1.6%) from fiscal 2018 to 99.2 billion yen due to the impact of decreased production accompanying the production end of some models. Operating profit increased 0.3 billion yen (5.2%) from fiscal 2018 to 7.6 billion yen due to a model mix change and the impact of currency exchange rates.

![Revenue [net sales] by geographic region](chart)

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*Asia & Oceania includes China.

**Adjusted amounts for transactions among regions are not included.
Financial Review

Factors underlying changes in operating profit

Versus operating profit of 74.4 billion yen recorded in fiscal 2018, despite the profit-reducing effect of a model and product mix change, increased profit from higher production and the effects of new models as well as the impact of changes in production contributed to increased profit. On the other hand, although we absorbed the impact of product price changes through rationalisation efforts, such profit-reducing factors as increased depreciation expenses in Japan, production preparation costs for new products in North America and the impact of currency exchange rates in South America resulted in a 13.1 billion yen (17.7%) decline in operating profit to 61.2 billion yen.

Cash flow

Cash and cash equivalents at end of period on a consolidated basis in fiscal 2019 decreased 20.1 billion yen (11.3%) from fiscal 2018 to 158.1 billion yen.

Net cash provided by operating activities amounted to 60.7 billion yen. This was due mainly to such cash-increasing factors as profit before income taxes of 61.4 billion yen and depreciation and amortisation of 35.1 billion yen despite such cash-decreasing factors as income taxes paid of 26.0 billion yen and an increase in inventories of 17.5 billion yen.

Net cash used in investing activities was 58.9 billion yen. This was due mainly to such cash outflows as purchase of property, plant and equipment of 55.7 billion yen.

Net cash used in financing activities was 19.5 billion yen. Despite such cash-increasing factors as proceeds from long-term borrowings of 23.0 billion yen, cash decreased due to repayments of long-term borrowings of 20.0 billion yen, cash dividends paid of 10.5 billion yen and redemption of bonds of 10.0 billion yen.

Cash and cash equivalents at end of period

(Billions of yen)

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>143.4</td>
<td>160.9</td>
<td>144.8</td>
<td>178.3</td>
<td>158.1</td>
</tr>
</tbody>
</table>

Japanese GAAP

IFRS
Overview of capital expenditures

In fiscal 2019, total capital expenditures amounted to 61.3 billion yen and these investments were concentrated on measures for new products and rationalising and upgrading production facilities. These consisted mainly of capital expenditures in Japan and The Americas. Capital expenditures in Japan amounted to 27.3 billion yen and were mainly for measures for new products, rationalising and upgrading production facilities and establishing new information systems. Capital expenditures in The Americas amounted to 16.9 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities. Capital expenditures in Asia & Oceania amounted to 13.2 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities. Capital expenditures in Europe & Africa amounted to 3.7 billion yen and were mainly for measures for new products and rationalising and upgrading production facilities.

R&D

The Toyota Boshoku group works to develop appealing high-quality products that meet the expectations of all customers throughout the world by leveraging the Company’s own unique technologies and structures in accordance with the basic concept of “developing products that earn the trust of and satisfy customers.” The Toyota Boshoku group anticipates the ongoing sophistication and diversification of customer needs and strives to develop appealing technologies and products unrivalled by our competitors while further enhancing our core technologies. Additionally, we are building an optimal development system across the entire group that is focused on global markets through Regional Management & Collaboration Hubs (RM&CH) that carry out product development based on the needs of each respective region. Furthermore, we will proceed with strengthening our competitiveness by carrying out thoroughgoing activities to realise good products at a reasonable prices to ensure we can respond to the sharp expansion of emerging country markets. In fiscal 2019, R&D expenses, including development expenses recorded under intangible assets, amounted to 46.9 billion yen.
In fiscal 2020, we expect to absorb income-reducing factors such as changes in product prices through the effects of increased production in addition to the implementation of rationalisation measures exceeding those of fiscal 2019. Nonetheless, we forecast that operating profit will decrease due to increased labour costs, a sharp rise in raw materials costs and responses for strengthening our competitiveness toward the future.

Seat production volume
On an overall consolidated basis, we forecast that seat production volume will increase 240,000 units from fiscal 2019 to 7.75 million seats. By geographic region, in Japan, we forecast that seat production volume will increase 50,000 units from fiscal 2019 to 3.20 million seats. In The Americas, production is expected to increase 210,000 units from fiscal 2019 to 1.33 million seats. In Asia & Oceania, we forecast that total seat production volume will rise 40,000 units from fiscal 2019 to 2.38 million seats, supported mainly by expected production increases in China. In Europe & Africa, we forecast that seat production will decrease 50,000 units from fiscal 2019 to 840,000 seats.

Profits and losses
Regarding business results for fiscal 2020, the Toyota Boshoku group forecasts revenue of 1,390.0 billion yen. We forecast operating profit of 53.0 billion yen, a decrease of 8.2 billion yen from fiscal 2019, and profit attributable to owners of the parent of 29.0 billion yen, an increase of 1.5 billion yen. The Toyota Boshoku group assumes exchange rates of 1 US dollar/106 yen and 1 Euro/120 yen.

Forecast of results by geographic region
Revenue in Japan is expected to decrease 59.9 billion yen from fiscal 2019 to 740.0 billion yen. Despite such income-reducing factors as changes in product prices and increased overhead costs, we forecast that operating profit in Japan will increase 4.4 billion yen from fiscal 2019 to 11.0 billion yen due to the effects of increased production and the impact of an Advance Pricing Arrangement (APA) in the previous year.

In The Americas, revenue is expected to increase 33.1 billion yen from fiscal 2019 to 300.0 billion yen. Despite the effects of increased production, we forecast that operating profit will decline 16.8 billion yen from fiscal 2019 to 4.0 billion yen due to such factors as a change in model mix, an increase in production preparation costs for new products and the impact of an Advance Pricing Arrangement (APA) in the previous year.

In Asia & Oceania, we forecast a 2.8 billion yen decrease in revenue from fiscal 2019 to 350.0 billion yen. Despite such income-reducing factors as a model mix change and changes in product prices, we forecast that operating profit will increase 6.7 billion yen from fiscal 2019 to 33.0 billion yen due to the impact of an Advance Pricing Arrangement (APA) in the previous year.

In Europe & Africa, we expect revenue will decrease 9.2
billion yen from fiscal 2019 to 90.0 billion yen. Operating profit is forecast to decrease 2.6 billion yen from fiscal 2019 to 5.0 billion yen due to decreased production and the impact of other income and expenditure differentials.

**Factors underlying changes in operating profit**

Despite the effects of increased production, we forecast that operating profit will decrease 8.2 billion yen from fiscal 2019 to 53.0 billion yen due to a product and model mix change and increased overhead costs such as production preparation costs.

**Capital expenditures**

The Toyota Boshoku group plans to make capital expenditures totalling 180.0 billion yen over the three-year period from fiscal 2019 through fiscal 2021. In addition to regular expenditures for strengthening, increasing, maintaining and upgrading facilities, these expenditures will be concentrated mainly on TB Industry 4.0 (IoT), the standardisation of production processes, accelerating the development of production engineering, raising quality and productivity, reorganising production plants and rebuilding internal infrastructures (establishing a management foundation, implementing office reforms). For fiscal 2020, we plan to make capital expenditures of 61.0 billion yen.

**R&D**

The Toyota Boshoku group plans to allocate a total of 140.0 billion yen for R&D over the three-year period from fiscal 2019 through fiscal 2021. These expenditures will be targeted at electrification, fuel cell (FC)-related products, cooling and circulating water purification systems and aircraft seats in new development fields, and for expanding our core businesses and raising profitability in fields for strengthening development. For fiscal 2020, we plan to allocate 47.0 billion yen for R&D.

**Cash dividends**

For fiscal 2019, Toyota Boshoku decided to increase interim cash dividends per share by 3 yen to 28 yen per share compared with the fiscal 2018 interim dividend and pay a year-end cash dividend per share of 28 yen, a decrease of 1 yen from fiscal 2018, and thereby increase annual cash dividends per share by 2 yen from fiscal 2018 to 56 yen. This amount represents an all-time high for a full-year dividend. For fiscal 2020, we plan to pay the same full-year dividend of 56 yen.
10-Year Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue [Net sales]</td>
<td>¥ 953,729</td>
<td>¥ 983,727</td>
<td>¥ 964,295</td>
<td>¥ 1,079,497</td>
</tr>
<tr>
<td>Operating profit</td>
<td>25,143</td>
<td>36,856</td>
<td>20,910</td>
<td>25,302</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>6,882</td>
<td>11,466</td>
<td>3,232</td>
<td>15,792</td>
</tr>
<tr>
<td>Total equity [Total net assets]</td>
<td>196,545</td>
<td>196,992</td>
<td>190,347</td>
<td>220,740</td>
</tr>
<tr>
<td>Capital stock</td>
<td>8,400</td>
<td>8,400</td>
<td>8,400</td>
<td>8,400</td>
</tr>
<tr>
<td>Total assets</td>
<td>546,486</td>
<td>504,472</td>
<td>597,654</td>
<td>583,955</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>43,076</td>
<td>41,229</td>
<td>37,583</td>
<td>36,805</td>
</tr>
<tr>
<td>Depreciation</td>
<td>35,121</td>
<td>32,342</td>
<td>31,529</td>
<td>32,744</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>30,021</td>
<td>32,434</td>
<td>32,543</td>
<td>36,321</td>
</tr>
</tbody>
</table>

Per Share Data (¥)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings [Net income (Basic)]</td>
<td>¥ 37.00</td>
<td>¥ 61.82</td>
<td>¥ 17.45</td>
<td>¥ 85.23</td>
</tr>
<tr>
<td>Diluted earnings [Net Income (Diluted)]*</td>
<td>37.00</td>
<td>61.82</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>13.00</td>
<td>16.00</td>
<td>16.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent [Net assets]</td>
<td>883.96</td>
<td>890.78</td>
<td>868.93</td>
<td>1,010.49</td>
</tr>
</tbody>
</table>

Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>¥ 64,188</td>
<td>¥ 60,630</td>
<td>¥ 46,920</td>
<td>¥ 44,474</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(41,337)</td>
<td>(40,462)</td>
<td>(76,108)</td>
<td>(51,867)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(13,547)</td>
<td>(15,345)</td>
<td>30,748</td>
<td>(41,942)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>113,124</td>
<td>113,950</td>
<td>113,947</td>
<td>129,323</td>
</tr>
</tbody>
</table>

Financial Indicators (%)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of operating profit to revenue [Operating profit to net sales]</td>
<td>2.6</td>
<td>3.7</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>ROA: Ratio of total assets to profit attributable to owners of the parent [Return on assets]</td>
<td>1.3</td>
<td>2.3</td>
<td>0.5</td>
<td>2.7</td>
</tr>
<tr>
<td>ROE: Ratio of profit to equity attributable to owners of the parent [Return on equity]</td>
<td>4.3</td>
<td>7.0</td>
<td>2.0</td>
<td>9.1</td>
</tr>
<tr>
<td>Ratio of equity attributable to owners of the parent [Capital adequacy ratio]</td>
<td>30.1</td>
<td>32.7</td>
<td>26.9</td>
<td>32.1</td>
</tr>
</tbody>
</table>

Shareholders’ Equity (at fiscal year-end)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (excluding temporary employees)</td>
<td>27,613</td>
<td>27,856</td>
<td>31,883</td>
<td>32,986</td>
</tr>
</tbody>
</table>

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

### Key Financial Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1.9</td>
<td>0.7</td>
<td>0.5</td>
<td>6.6</td>
<td>5.7</td>
<td>2.9</td>
<td>5.8</td>
</tr>
<tr>
<td>ROE</td>
<td>5.8</td>
<td>3.5</td>
<td>3.5</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Basic EPS</td>
<td>¥ 28,08</td>
<td>¥ 21,02</td>
<td>¥ 115.79</td>
<td>¥ 244.28</td>
<td>¥ 230.27</td>
<td>¥ 115.79</td>
<td>¥ 241.34</td>
</tr>
</tbody>
</table>

### Net Income

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>IFRS</th>
</tr>
</thead>
</table>

### Additional Information

- **Basic Earnings per Share (Net Income per Share)**
- **ROA**: Ratio of total assets to profit attributable to owners of the parent (Return on assets)
- **ROE**: Ratio of profit to equity attributable to owners of the parent (Return on equity)
## Consolidated Statement of Financial Position

**As of March 31, 2018 and 2019**

### Assets

<table>
<thead>
<tr>
<th>Assets</th>
<th>IFRS Transition Date (As of April 1, 2017)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 146,193</td>
<td>¥ 178,372</td>
<td>¥ 158,192</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>214,072</td>
<td>235,500</td>
<td>241,562</td>
</tr>
<tr>
<td>Inventories</td>
<td>45,330</td>
<td>48,571</td>
<td>65,282</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>17,383</td>
<td>15,868</td>
<td>16,843</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>4,114</td>
<td>2,923</td>
<td>4,637</td>
</tr>
<tr>
<td>Other current assets</td>
<td>9,447</td>
<td>8,916</td>
<td>7,103</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>436,542</td>
<td>490,153</td>
<td>493,621</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>207,845</td>
<td>214,689</td>
<td>233,978</td>
</tr>
<tr>
<td>Goodwill</td>
<td>4,882</td>
<td>4,882</td>
<td>4,876</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3,384</td>
<td>7,216</td>
<td>10,106</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>7,976</td>
<td>11,394</td>
<td>11,891</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>16,998</td>
<td>21,495</td>
<td>20,587</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>27,771</td>
<td>22,257</td>
<td>14,144</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>4,256</td>
<td>4,521</td>
<td>4,393</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>273,115</td>
<td>286,457</td>
<td>299,978</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥ 709,657</td>
<td>¥ 776,611</td>
<td>¥ 793,599</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Financial Position

**As of March 31, 2018 and 2019**

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th>IFRS Transition Date (As of April 1, 2017)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>¥181,030</td>
<td>¥196,088</td>
<td>¥207,166</td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>27,917</td>
<td>35,369</td>
<td>22,923</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>1,952</td>
<td>2,351</td>
<td>2,316</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>14,184</td>
<td>13,730</td>
<td>6,241</td>
</tr>
<tr>
<td>Provisions</td>
<td>3,462</td>
<td>2,517</td>
<td>2,793</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>62,042</td>
<td>67,906</td>
<td>67,195</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>290,589</td>
<td>317,964</td>
<td>308,637</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>66,031</td>
<td>71,687</td>
<td>91,838</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>3,575</td>
<td>3,037</td>
<td>1,254</td>
</tr>
<tr>
<td>Retirement benefit liability</td>
<td>52,861</td>
<td>53,978</td>
<td>57,676</td>
</tr>
<tr>
<td>Provisions</td>
<td>258</td>
<td>252</td>
<td>255</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,706</td>
<td>1,817</td>
<td>2,699</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>3,425</td>
<td>1,851</td>
<td>1,909</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>127,859</td>
<td>132,624</td>
<td>155,632</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>418,448</td>
<td>450,589</td>
<td>464,269</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>8,400</td>
<td>8,400</td>
<td>8,400</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>8,778</td>
<td>8,441</td>
<td>7,570</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>226,886</td>
<td>261,187</td>
<td>275,160</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(3,874)</td>
<td>(3,874)</td>
<td>(3,875)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>5,521</td>
<td>5,553</td>
<td>4,943</td>
</tr>
<tr>
<td><strong>Total equity attributable to owners of the parent</strong></td>
<td>245,711</td>
<td>279,707</td>
<td>292,199</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>45,496</td>
<td>46,314</td>
<td>37,130</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>291,208</td>
<td>326,022</td>
<td>329,329</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>¥709,657</td>
<td>¥776,611</td>
<td>¥793,599</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Profit or Loss

For the years ended March 31, 2018 and 2019

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥ 1,407,392</td>
<td>¥ 1,417,376</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,253,952</td>
<td>1,269,857</td>
</tr>
<tr>
<td>Gross profit</td>
<td>153,440</td>
<td>147,518</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>79,160</td>
<td>85,375</td>
</tr>
<tr>
<td>Other income</td>
<td>4,498</td>
<td>5,206</td>
</tr>
<tr>
<td>Other expenses</td>
<td>4,349</td>
<td>6,092</td>
</tr>
<tr>
<td>Operating profit</td>
<td>74,429</td>
<td>61,257</td>
</tr>
<tr>
<td>Finance income</td>
<td>2,950</td>
<td>2,562</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>2,393</td>
<td>3,293</td>
</tr>
<tr>
<td>Share of profit of investments accounted for using equity method</td>
<td>862</td>
<td>962</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>75,849</td>
<td>61,489</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>23,216</td>
<td>27,352</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>52,633</td>
<td>34,136</td>
</tr>
<tr>
<td>Profit attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>44,818</td>
<td>27,457</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>7,815</td>
<td>6,678</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share (Yen)</td>
<td>¥ 241.34</td>
<td>¥ 147.85</td>
</tr>
<tr>
<td>Diluted earnings per share (Yen)</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Comprehensive Income

For the years ended March 31, 2018 and 2019

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>¥ 52,633</td>
<td>¥ 34,136</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(334)</td>
<td>(2,844)</td>
</tr>
<tr>
<td>Net change in fair value of equity instruments measured at fair value through other comprehensive income</td>
<td>1,016</td>
<td>(758)</td>
</tr>
<tr>
<td>Items that may be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(862)</td>
<td>(60)</td>
</tr>
<tr>
<td>Net change in fair value of debt instruments measured at fair value through other comprehensive income</td>
<td>2</td>
<td>(11)</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using equity method</td>
<td>416</td>
<td>(187)</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>238</td>
<td>(3,863)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>52,872</td>
<td>30,273</td>
</tr>
<tr>
<td>Comprehensive income attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>44,361</td>
<td>24,003</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>¥ 8,510</td>
<td>¥ 6,269</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Cash Flows

*For the years ended March 31, 2018 and 2019*

### (Millions of yen)

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>¥ 75,849</td>
<td>¥ 61,489</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>32,347</td>
<td>35,153</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(1,859)</td>
<td>(1,647)</td>
</tr>
<tr>
<td>Decrease (increase) in trade receivables</td>
<td>(24,752)</td>
<td>(5,795)</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>(3,741)</td>
<td>(17,566)</td>
</tr>
<tr>
<td>Increase (decrease) in trade payables</td>
<td>16,984</td>
<td>9,557</td>
</tr>
<tr>
<td>Other</td>
<td>4,499</td>
<td>4,901</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>99,326</td>
<td>86,092</td>
</tr>
<tr>
<td>Interest received</td>
<td>1,711</td>
<td>1,463</td>
</tr>
<tr>
<td>Dividends received</td>
<td>390</td>
<td>694</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,290)</td>
<td>(1,502)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(16,578)</td>
<td>(26,028)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>83,559</td>
<td>60,720</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(41,621)</td>
<td>(55,735)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>2,111</td>
<td>2,243</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(4,502)</td>
<td>(4,436)</td>
</tr>
<tr>
<td>Purchase of equity instruments</td>
<td>(5,603)</td>
<td>(417)</td>
</tr>
<tr>
<td>Payments into time deposits</td>
<td>(3,003)</td>
<td>(4,466)</td>
</tr>
<tr>
<td>Proceeds from withdrawal of time deposits</td>
<td>4,433</td>
<td>3,311</td>
</tr>
<tr>
<td>Other</td>
<td>37</td>
<td>585</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>(48,148)</td>
<td>(58,915)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from short-term borrowings</td>
<td>2,004</td>
<td>14,771</td>
</tr>
<tr>
<td>Repayments of short-term borrowings</td>
<td>(17,966)</td>
<td>(529)</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>6,651</td>
<td>23,000</td>
</tr>
<tr>
<td>Repayments of long-term borrowings</td>
<td>(6,245)</td>
<td>(20,054)</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>30,000</td>
<td>—</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>—</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(10,024)</td>
<td>(10,582)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(7,039)</td>
<td>(8,504)</td>
</tr>
<tr>
<td>Payments for acquisition of interests in subsidiaries from non-controlling interests</td>
<td>(648)</td>
<td>(7,868)</td>
</tr>
<tr>
<td>Other</td>
<td>(259)</td>
<td>241</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(3,528)</td>
<td>(19,526)</td>
</tr>
<tr>
<td><strong>Effect of exchange rate changes on cash and cash equivalents</strong></td>
<td>296</td>
<td>(2,458)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>32,179</td>
<td>(20,179)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>146,193</td>
<td>178,372</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>¥ 178,372</td>
<td>¥ 158,192</td>
</tr>
</tbody>
</table>
Inclusion in Indexes (Socially Responsible Investment)

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

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

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

Evaluations by Outside Institutions

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

Japanese Corporate Entities and Others 68.20%

Corporate Data

Location: 1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
Capital: 8.4 billion yen
Number of employees: 8,259 (non-consolidated) 43,103 (consolidated)
(excluding temporary employees)
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

Number of Shareholders

14,066

Breakdown of Shareholders

- Individuals: 11.18%
- Financial Institutions: 9.65%
- Foreign Corporate Entities: 8.84%
- Treasury Stock: 1.04%
- Brokerages: 1.09%
- Japanese Corporate Entities and Others: 68.20%
- Japanese Corporate Entities and Others: 68.20%
- Corporate Data

Investor Information

As of March 31, 2019

Number of shares authorised to be issued: 500,000,000
Number of shares outstanding: 185,707,225
(excluding treasury stock of 1,958,513)

Evaluations by Outside Institutions

- JPX-NIKKEI 400
- Buna no Mori
- DBJ sustainability index 2019
- CDP

Evaluations

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On Publishing the Toyota Boshoku Report

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

In this report, we aimed to enhance information on governance, such as by newly adding an interview with an Outside Director. At the same time, we provide concrete explanations about our initiatives related to “HITOZUKURI,” “MONOZUKURI” and “R&D,” which are Toyota Boshoku’s strengths, through interviews with the respective persons in charge of these areas. In this manner, we further enhanced the reported content of this report.

The Toyota Boshoku group will resolutely implement the 2020 Management Plan toward the realisation of its Vision and will work as one throughout the company in addressing issues. In the future as well, we will listen faithfully to the opinions of our stakeholders throughout the world and will continue to make even greater efforts for enhancing corporate value.

Segment Chief, Corporate Planning & Innovation Segment
Hidenori Ozaki

For more detailed information and the latest information regarding shareholders and investor relations and CSR, please visit our company website.

Investor Relations
https://www.toyota-boshoku.com/global/ir/

CSR
https://www.toyota-boshoku.com/global/csr/

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