

Financial Report

Consolidated 10-Year Financial Summary

J-GAAP		FY2011 (Fiscal year ended March 31, 2012)	FY2012 (Fiscal year ended March 31, 2013)	FY2013 (Fiscal year ended March 31, 2014)	FY2014 (Fiscal year ended March 31, 2015)	FY2015 (Fiscal year ended March 31, 2016)
Operating results	Net sales	504,518	599,615	689,477	727,846	781,886
	Operating profit	20,415	36,706	43,798	41,603	42,824
	Ordinary profit	20,287	36,777	45,847	43,792	41,490
	Profit before income taxes	19,076	36,571	46,101	39,851	36,710
	Profit attributable to owners of parent	8,971	21,429	26,214	21,155	20,255
Financial position	Cash and deposits	70,715	79,073	92,364	85,283	78,388
	Current assets	229,238	244,798	279,281	291,246	281,212
	Property, plant and equipment	183,864	196,163	210,214	250,557	241,408
	Non-current assets	225,555	244,846	262,596	316,926	306,160
	Total assets	454,794	489,644	541,877	608,172	587,373
	Short-term loans payable *1	23,300	35,978	39,069	41,848	21,073
	Current liabilities	149,968	157,748	168,136	180,795	162,592
	Bonds payable	—	—	—	—	—
	Long-term loans payable	34,397	23,329	31,138	42,929	44,691
	Non-current liabilities	67,457	59,751	73,462	88,902	96,937
	Total liabilities	217,426	217,500	241,598	269,697	259,530
	Shareholders' equity	238,400	255,201	275,840	289,321	301,756
	(Reference) Interest-bearing debt	57,698	59,307	70,207	84,777	65,765
Cash flows	Cash flows from operating activities	51,112	52,451	55,448	51,283	77,765
	Cash flows from investing activities	(37,027)	(40,989)	(45,680)	(62,432)	(56,261)
	Cash flows from financing activities	2,224	(6,128)	(732)	(238)	(24,736)
Key performance indicators	Return on sales (%)	1.8	3.6	3.8	2.9	2.6
	Total asset turnover (times)	1.16	1.27	1.34	1.27	1.31
	Equity ratio (%)	48.6	51.7	51.6	51.6	51.7
	Return on equity (ROE) (%)	4.1	9.0	9.8	7.1	6.6
	Capital investment	37,623	39,097	43,085	64,733	54,498
	Depreciation and amortization	41,964	38,633	38,743	39,353	44,462
	R&D expenses	25,936	27,279	29,170	29,579	28,409
Number of employees at year-end (consolidated)	29,108	30,190	31,672	34,754	35,903	
Per share information (yen)	Annual dividends	36.00	44.00	56.00	56.00	56.00
	Basic earnings	69.33	165.63	202.54	163.44	156.49
	Dividend payout ratio (%)	51.93	26.57	27.65	34.26	35.79

*1 Including current portion of long-term loans payable and redemption of bonds within one year.

(Millions of yen; rounded down to the nearest million yen)

	FY2016 (Fiscal year ended March 31, 2017)	FY2017 (Fiscal year ended March 31, 2018)		FY2017 (Fiscal year ended March 31, 2018)	FY2018 (Fiscal year ended March 31, 2019)	FY2019 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended March 31, 2021)
	755,601	806,938	IFRS				
	40,675	41,136	Revenue	807,958	840,714	812,937	721,498
	39,007	43,200	Operating profit	35,179	36,525	17,888	36,479
	31,288	35,775	Profit before tax	35,507	37,356	16,106	37,301
	16,233	21,175	Profit attributable to owners of parent	21,361	23,309	11,226	35,205
	97,553	104,309	Cash and cash equivalents	97,991	107,311	127,930	134,003
	305,273	328,524	Current assets	357,666	382,106	359,565	380,578
	245,666	259,537	Property, plant and equipment	241,581	257,728	273,479	290,246
	315,425	333,819	Non-current assets	321,819	326,023	349,619	394,577
	620,699	662,388	Total assets	679,485	708,129	709,185	775,155
	31,762	43,722	Borrowings	43,722	32,396	44,657	42,835
	170,574	189,075	Current liabilities	195,392	194,309	180,653	185,535
	—	10,000	Bonds and borrowings	64,511	93,089	103,399	109,379
	57,261	54,458	Non-current liabilities	118,435	133,674	158,256	169,164
	110,663	119,403	Total liabilities	313,828	327,983	338,909	354,700
	281,237	308,479	Equity attributable to owners of parent				
	311,127	324,890	(Reference) Interest-bearing debt	108,233	125,486	148,057	152,215
	89,023	108,181					
	60,401	60,848	Cash flows from operating activities	44,004	57,463	65,247	67,247
	(82,131)	(39,201)	Cash flows from investing activities	(21,832)	(55,491)	(54,174)	(49,949)
	14,794	6,541	Cash flows from financing activities	5,966	7,749	12,525	(13,065)
	2.1	2.6	Profit attributable to owners of parent ratio (%)	2.6	2.8	1.4	4.9
	1.25	1.26	Total asset turnover (times)	1.23	1.21	1.15	0.97
	50.7	49.6	Ratio of equity attributable to owners of parent to total assets (%)	51.2	50.0	48.7	50.5
	5.2	6.6	Return on equity (ROE) (%)	6.4	6.7	3.2	9.6
	55,218	64,816	Capital investment	53,411	46,891	41,835	46,589
	40,902	44,037	Depreciation and amortization	32,545	32,927	35,323	35,527
	27,164	27,864	R&D expenses	27,684	30,025	31,374	31,000
	36,679	38,234	Number of employees at year-end (consolidated)	38,234	39,429	39,403	38,823
	53.00	56.00	Annual dividends	56.00	60.00	60.00	60.00
	125.42	163.60	Basic earnings per share (yen)	165.04	180.09	86.74	271.99
	42.26	34.23	Dividend payout ratio (%)	33.93	33.32	69.17	22.1

Financial Review

Overview

In FY2020, the global economy experienced a major recession in the fiscal first half in the wake of the COVID-19 pandemic that erupted in late FY2019. Although the global economy embarked on recovery from mid-2020, the end of the pandemic is still not in sight. The Japanese economy was likewise hard-hit by the pandemic, but Japanese companies seized the opportunity to accelerate digital transformation (DX) and radically reform workstyles, most notably by widely adopting teleworking. Additionally, the Suga Cabinet, formed in September 2020, launched a society-wide push to reduce CO₂ emissions with its 2050 Carbon Neutral Declaration. The automobile industry was beset by a market downturn from FY2019 through mid-FY2020. The downturn was compounded by anti-pandemic lockdowns in Europe, the US and much of the rest of the world. The lockdowns forced automakers to idle production plants, resulting in a steep drop in auto production. Production recovered rapidly from the second half of FY2020, but unit production remained below its year-earlier level in both Japan and overseas.

Amid such an environment, the entire TG Group shifted into emergency mode in the fiscal first half. We focused on emergency measures to shore up earnings in response to declining sales. From the fiscal second half, we have been placing priority on allocating resources in pursuing a growth strategy revolving around three key areas toward realization of our mid-term 2025 Business Plan against a backdrop of drastic change in the external environment.

The first pillar of activity is “Venture into innovation, new mobility.” In other words, we are pursuing expeditious commercialization of innovative technologies in new business domains. First, to accelerate commercialization, we reorganized our development operations, partly to strengthen leading-edge development capabilities, in January 2020. Additionally, to realize sustained growth while navigating major changes in our operating environment, we invested heavily in startup companies again in FY2020 through a corporate venture capital fund established in FY2018. We are committed to creating new businesses by cross-pollinating core technologies cultivated over decades with external expertise and to developing new automotive products for CASE vehicles and MaaS. We have been developing UV-C (deep UV) LEDs, a new technology, as a high-value-added LED since 2017. UV-C LED irradiation has been found to inactivate coronaviruses. We have started to roll out UV-C LED products for consumers to help make life more safe and secure amid the pandemic. Since November 2020, we have been selling UV-C LED water purification units that are installed in Wota Corp.’s WOSH portable hand-washing stand that recycles used water. In December 2020, we launched a UV-C space disinfectant that disinfects

airborne germs. Other examples of recent progress in new businesses include commencement of production of high pressure hydrogen tanks for the Toyota Mirai FCEV (Fuel Cell Electric Vehicle) in November 2020 at our Inabe Plant in Mie Prefecture.

The second pillar of activity is “Strategy for growing market/fields.” We have designated the Americas and non-Japan Asia as high-priority geographies and high-value-added products such as airbags, plastic fuel filler pipes and radiator grilles as high-priority products. We are aggressively expanding sales to not only Toyota Motor Corporation but also other Japanese automakers, most notably Honda Motor Co., Ltd., and foreign automakers, including the Detroit Big Three. Within Asia, one of our high-priority geographies, we plan to merge local subsidiaries in India and subsequently operate them as a unified business. We will grow our Asian earnings by expanding sales and improving operational efficiency in the growing Indian market.

The third pillar of activity is “Innovative manufacturing at production sites.” We are upgrading production efficiency through such means as remote production setup and loss reduction through utilization of IoT technologies. We are also digitally transforming and automating manufacturing processes. Additionally, we have improved operating efficiency through videoconferencing, teleworking and other such technologies, mainly in staff organizations.

FY2020 revenue decreased 11.2% year on year to ¥721.4 billion despite Chinese sales growth driven by growth in major customers’ auto production in China. The revenue decline was largely due to pandemic-induced sales declines across all other geographies in the fiscal first half, deconsolidation of former German production subsidiary Toyoda Gosei Meteor GmbH (TGM) in FY2019 and the forex impact of yen appreciation.

Operating profit grew 103.9% year on year to ¥36.4 billion. Its growth was attributable to overhead and labor cost-cutting, rationalization, including utilization of government subsidies, and nonrecurrence of a year-earlier loss on liquidation of a business in conjunction with divestment of our entire TGM equity stake. These growth drivers vastly outweighed the impact of pandemic-induced sales declines and accrual of a provision for restructuring of a UK subsidiary. Profit attributable to owners of the parent increased 213.6% year on year to ¥35.2 billion, boosted by recognition of deferred tax assets upon commencement of labor-management negotiations predicated on discontinuation of a UK subsidiary’s production.

(Millions of yen)

Consolidated results	FY2020	FY2019
Revenue	721,498	812,937
Operating profit	36,479	17,888
Profit attributable to owners of parent	35,205	11,226

Revenue by segment

Japan

Revenue was down 11.6% year on year to ¥358.0 billion, largely as a result of sales declines due to the pandemic. Despite the sales declines, Japanese operations earned segment income of ¥12.0 billion against a year-earlier loss of ¥5.0 billion. The turnaround was largely attributable to nonrecurrence of a year-earlier loss on liquidation of a business in conjunction with divestment of our entire TGM equity stake, in addition to deep cuts in labor and overhead expenses.

Americas

Revenue decreased 16.5% year on year to ¥203.4 billion under the weight of sales declines due to the pandemic, semiconductor shortages and unseasonably cold winter weather in the US. Segment income was down 16.7% at ¥13.8 billion as labor cost savings (partly attributable to government subsidies) failed to offset the sales declines' impact.

Asia

Revenue grew 1.2% year on year to ¥190.4 billion, largely as a result of growth in sales to major customers in China. The Chinese sales growth outweighed sales declines in Thailand, Indonesia and elsewhere. Despite these sales declines' impact, segment income increased 36.4% to ¥14.4 billion, boosted by Chinese sales growth and gross margin expansion driven by cost-cutting.

Europe & Africa

Revenue was down 28.2% year on year to ¥26.2 billion, largely as a result of pandemic-induced sales declines and TGM's deconsolidation in the third quarter of FY2019. Despite accrual of a provision for restructuring a UK subsidiary, segment loss shrank to ¥3.9 billion from a year-earlier ¥4.2 billion, largely by virtue of TGM's deconsolidation and reduction in labor costs (partly attributable to government subsidies).

(Millions of yen)

Revenue by segment	FY2020	FY2019
Japan	358,082	405,116
Americas	203,421	243,590
Asia	190,479	188,292
Europe & Africa	26,261	36,567

Financial condition

Analysis of financial position

1. Assets, liabilities, and equity

Assets at fiscal year-end totaled ¥775.1 billion, a ¥65.9 billion year-on-year increase driven mainly by an increase in property, plant and equipment. Liabilities totaled ¥354.7 billion, a ¥15.7 billion year-on-year increase due mainly to growth in trade and other payables. Equity totaled ¥420.4 billion, a ¥50.1 billion year-on-year increase mainly attributable to growth in retained earnings.

2. Cash flows

Cash and cash equivalents at the end of the fiscal year under review increased by ¥6.0 billion, from ¥127.9 billion at the end of the previous fiscal year, to ¥134.0 billion. Cash flows and related factors during the fiscal year under review were as follows.

Cash flows from operating activities

Net cash flows provided by operating activities came to ¥67.2 billion in inflows, an increase of ¥2.0 billion from inflows recorded in the previous fiscal year. This was mainly due to a decrease in outflows of ¥25.1 billion for changes in trade and other payables, ¥4.6 billion for changes in provisions, and ¥3.7 billion for income taxes paid, despite a decrease in inflows of ¥31.6 billion for changes in trade and other receivables.

Cash flows from investing activities

Net cash flows used in investing activities came to ¥49.9 billion in outflows, a decrease of ¥4.2 billion from outflows recorded in the previous fiscal year. This was mainly due to the absence of ¥11.4 billion in outflows that occurred in the previous fiscal year for the sale of shares in subsidiaries, which resulted in a decrease in the fiscal year under review, despite increases of ¥3.2 billion in outflows for the purchase of property, plant and equipment, and intangible assets, and ¥2.4 billion in outflows for payments into time deposits.

Cash flows from financing activities

Net cash flows used in financing activities came to ¥13.0 billion in outflows, an increase of ¥25.5 billion from outflows recorded in the previous fiscal year. This was mainly due to a decrease of ¥31.6 billion in proceeds from short-term borrowings and a decrease of ¥7.3 billion in repayments of short-term borrowings, resulting in a net outflow of ¥24.3 billion in proceeds from and expenditures for short-term borrowings.

(Millions of yen)

Cash flows	FY2020	FY2019
Cash flows from operating activities	67,247	65,247
Cash flows from investing activities	(49,949)	(54,174)
Cash flows from financing activities	(13,065)	12,525

Consolidated Financial Statement

(Millions of yen)

Consolidated statement of financial position	FY2019 (as of March 31, 2020)	FY2020 (as of March 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	127,930	134,003
Trade and other receivables	142,062	149,249
Other financial assets	8,364	9,617
Inventories	63,925	72,888
Other current assets	17,282	14,819
Total current assets	359,565	380,578
Non-current assets		
Property, plant and equipment	273,479	290,246
Intangible assets	3,741	4,571
Other financial assets	32,244	41,983
Investments accounted for using equity method	14,252	14,844
Retirement benefit asset	2,603	6,254
Deferred tax assets	14,473	21,349
Other non-current assets	8,824	15,326
Total non-current assets	349,619	394,577
Total assets	709,185	775,155
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	119,083	126,784
Borrowings	44,657	42,835
Other financial liabilities	8,335	4,076
Income taxes payable	1,585	3,439
Provisions	1,881	2,638
Other current liabilities	5,110	5,760
Total current liabilities	180,653	185,535
Non-current liabilities		
Bonds and borrowings	103,399	109,379
Other financial liabilities	13,466	13,510
Retirement benefit liability	34,615	34,745
Provisions	107	4,578
Deferred tax liabilities	4,158	5,015
Other non-current liabilities	2,507	1,935
Total non-current liabilities	158,256	169,164
Total liabilities	338,909	354,700
Equity		
Share capital	28,027	28,046
Capital surplus	26,968	25,626
Treasury shares	(1,220)	(1,232)
Other components of equity	2,233	17,759
Retained earnings	289,061	320,883
Total equity attributable to owners of parent	345,070	391,083
Non-controlling interests	25,204	29,372
Total equity	370,275	420,455
Total liabilities and equity	709,185	775,155

(Millions of yen)

Consolidated statement of profit or loss	FY2019	FY2020
	(April 1, 2019 to March 31, 2020)	(April 1, 2020 to March 31, 2021)
Revenue	812,937	721,498
Cost of sales	(712,436)	(622,832)
Gross profit	100,501	98,665
Selling, general and administrative expenses	(61,523)	(56,423)
Other income	2,328	3,225
Other expenses	(23,417)	(8,987)
Operating profit	17,888	36,479
Finance income	2,843	3,035
Finance costs	(5,538)	(3,116)
Share of profit of investments accounted for using equity method	913	903
Profit before tax	16,106	37,301
Income tax expense	(2,265)	773
Profit	13,841	38,075
Profit attributable to		
Owners of parent	11,226	35,205
Non-controlling interests	2,614	2,870
Profit	13,841	38,075
Earnings per share		
Basic earnings per share (yen)	86.74	271.99
Diluted earnings per share (yen)	–	271.97

(Millions of yen)

Consolidated statement of comprehensive income	FY2019	FY2020
	(April 1, 2019 to March 31, 2020)	(April 1, 2020 to March 31, 2021)
Profit	13,841	38,075
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	(2,313)	6,252
Remeasurements of defined benefit plans	(467)	3,757
Share of other comprehensive income of investments accounted for using equity method	(17)	112
Total of items that will not be reclassified to profit or loss	(2,798)	10,121
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(11,061)	9,702
Share of other comprehensive income of investments accounted for using equity method	130	74
Total of items that may be reclassified to profit or loss	(10,931)	9,776
Other comprehensive income, net of tax	(13,729)	19,898
Comprehensive income	111	57,974
Comprehensive income attributable to		
Owners of parent	(1,281)	53,857
Non-controlling interests	1,393	4,116
Comprehensive income	111	57,974

Consolidated statement of changes in equity

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance as of April 1, 2019	28,027	26,968	(1,219)	(823)	15,498	—
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(9,769)	(2,333)	(405)
Total comprehensive income	—	—	—	(9,769)	(2,333)	(405)
Purchase of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	(338)	405
Other	—	—	—	—	—	—
Total transactions with owners	—	—	(0)	—	(338)	405
Balance as of March 31, 2020	28,027	26,968	(1,220)	(10,593)	12,826	—
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	8,705	6,289	3,657
Total comprehensive income	—	—	—	8,705	6,289	3,657
Issuance of new shares	18	18	—	—	—	—
Purchase of treasury shares	—	—	(11)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(1,360)	—	531	—	(0)
Change in scope of consolidation	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(3,657)
Other	—	—	—	—	—	—
Total transactions with owners	18	(1,341)	(11)	531	—	(3,657)
Balance as of March 31, 2021	28,046	25,626	(1,232)	(1,356)	19,116	—

	Equity attributable to owners of parent				
	Other components of equity	Retained earnings	Total	Non-controlling interests	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2019	14,674	285,669	354,120	26,024	380,145
Profit	—	11,226	11,226	2,614	13,841
Other comprehensive income	(12,508)	—	(12,508)	(1,221)	(13,729)
Total comprehensive income	(12,508)	11,226	(1,281)	1,393	111
Purchase of treasury shares	—	—	(0)	—	(0)
Dividends	—	(7,767)	(7,767)	(2,328)	(10,095)
Transfer from other components of equity to retained earnings	67	(67)	—	—	—
Other	—	—	—	114	114
Total transactions with owners	67	(7,834)	(7,768)	(2,213)	(9,981)
Balance as of March 31, 2020	2,233	289,061	345,070	25,204	370,275
Profit	—	35,205	35,205	2,870	38,075
Other comprehensive income	18,652	—	18,652	1,246	19,898
Total comprehensive income	18,652	35,205	53,857	4,116	57,974
Issuance of new shares	—	—	36	—	36
Purchase of treasury shares	—	—	(11)	—	(11)
Dividends	—	(7,120)	(7,120)	(1,984)	(9,104)
Changes in ownership interest in subsidiaries	531	—	(829)	1,335	506
Change in scope of consolidation	—	80	80	373	453
Transfer from other components of equity to retained earnings	(3,657)	3,657	—	—	—
Other	—	—	—	325	325
Total transactions with owners	(3,126)	(3,383)	(7,844)	50	(7,794)
Balance as of March 31, 2021	17,759	320,883	391,083	29,372	420,455

(Millions of yen)

Consolidated statement of cash flows	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before tax	16,106	37,301
Depreciation and amortization	37,498	37,812
Impairment loss (reversal of impairment loss)	—	813
Loss on liquidation of operations	21,615	—
Increase (decrease) in provision	146	4,749
Increase (decrease) in retirement benefit liability	1,118	101
Decrease (increase) in retirement benefit asset	12	933
Finance income	(2,843)	(2,800)
Finance costs	2,912	3,116
Share of loss (profit) of investments accounted for using equity method	(913)	(903)
Loss (gain) on sale of fixed assets	398	668
Decrease (increase) in inventories	(4,943)	(6,410)
Decrease (increase) in trade and other receivables	28,965	(2,707)
Increase (decrease) in trade and other payables	(18,937)	6,187
Other	(4,506)	(3,378)
Subtotal	76,629	75,485
Interest received	2,141	2,001
Dividends received	975	893
Interest paid	(2,802)	(3,168)
Income taxes paid	(11,696)	(7,964)
Net cash provided by operating activities	65,247	67,247
Cash flows from investing activities		
Payments into time deposits	(13,677)	(16,142)
Proceeds from withdrawal of time deposits	15,815	15,673
Purchase of property, plant and equipment, and intangible assets	(46,385)	(49,595)
Proceeds from sale of property, plant and equipment, and intangible assets	826	632
Purchase of investments	(996)	(566)
Proceeds from sale of investments	1,542	16
Payments due to sale of shares in subsidiaries resulting in change in scope of consolidation	(11,428)	—
Other	128	33
Net cash used in investing activities	(54,174)	(49,949)
Cash flows from financing activities		
Proceeds from short-term borrowings	52,912	21,249
Repayments of short-term borrowings	(47,078)	(39,749)
Proceeds from long-term borrowings	24,227	32,429
Repayments of long-term borrowings	(5,272)	(11,417)
Repayments of lease liabilities	(2,240)	(2,777)
Dividends paid	(7,766)	(7,117)
Dividends paid to non-controlling interests	(2,328)	(1,984)
Payments of the abolition of the in-house deposit system	—	(4,193)
Other	71	494
Net cash provided by (used in) financing activities	12,525	(13,065)
Net increase (decrease) in cash and cash equivalents	23,597	4,233
Cash and cash equivalents at beginning of period	107,311	127,930
Effect of exchange rate changes on cash and cash equivalents	(2,979)	1,840
Cash and cash equivalents at end of period	127,930	134,003