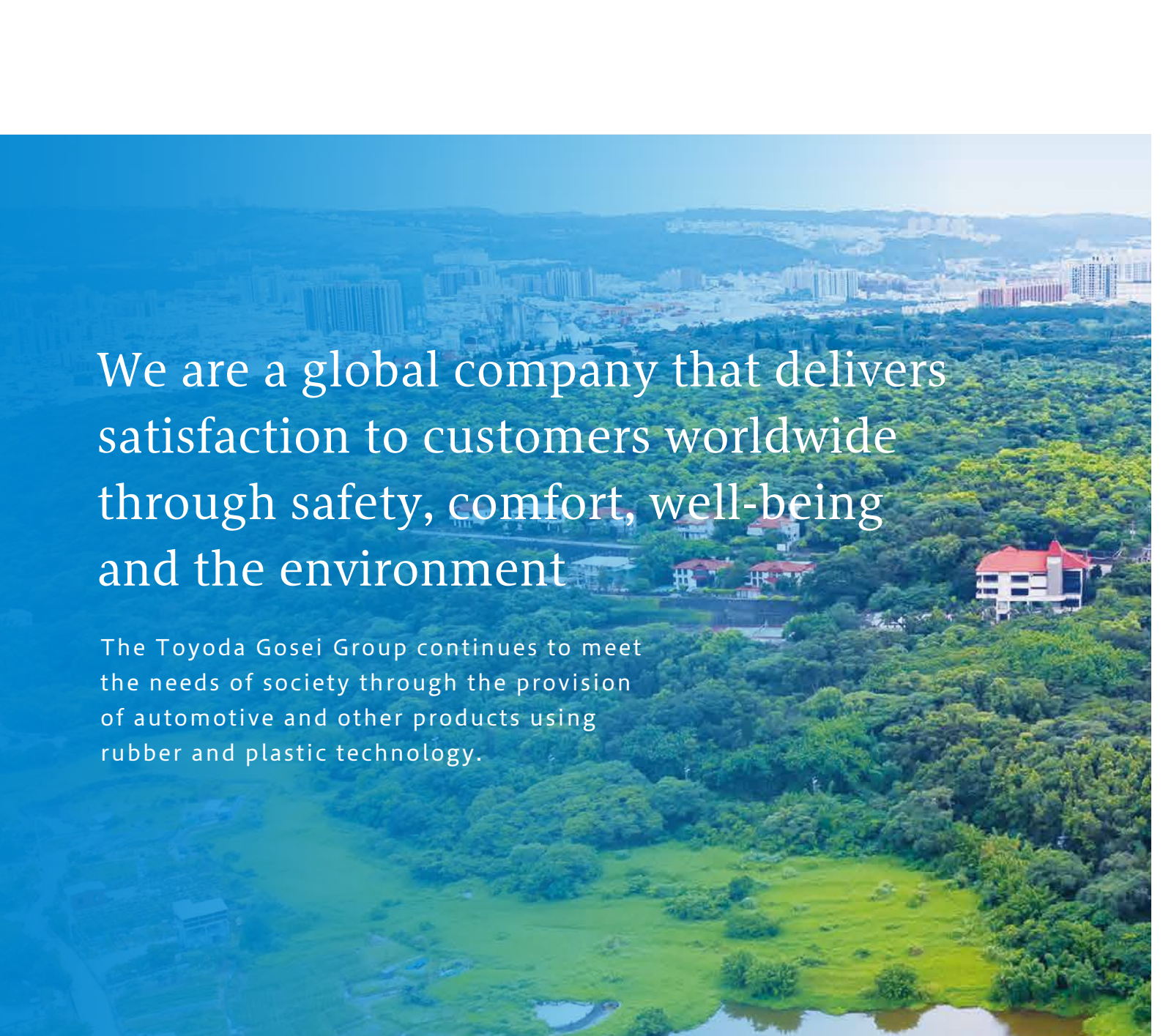




TOYODA GOSEI REPORT
2020





We are a global company that delivers satisfaction to customers worldwide through safety, comfort, well-being and the environment

The Toyoda Gosei Group continues to meet the needs of society through the provision of automotive and other products using rubber and plastic technology.

Management Philosophy

Boundless Creativity and Social Contribution

Good corporate citizenship

We, as a good corporate citizen, contribute to the economy and society through community-based business activities and social action programs.

Proper business operation

We promote business operations with integrity through the establishment of a system founded on thorough compliance and corporate ethics.

Sustainable growth

We aim to build up the TG Group's collective strength through an open and fair relationship with suppliers, through a mutually strengthened corporate structure and innovative management response to change.

Customer satisfaction

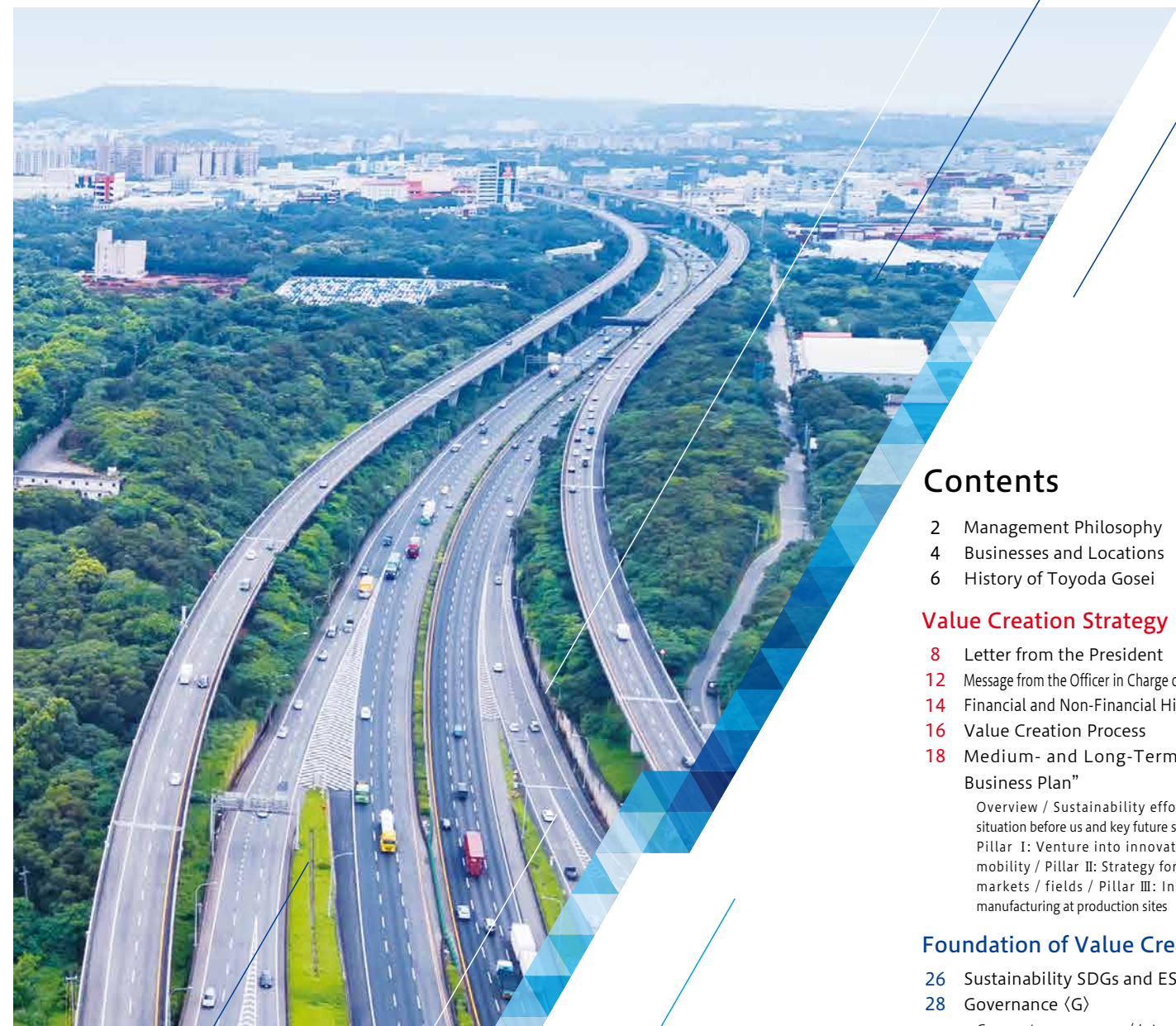
We aim to provide products and services with satisfying quality and price in a timely manner, through forward-looking R&D and production engineering.

Conservation of global environment and resources

We aim to conserve the global environment and resources in order to hand down a greener world to our children through every business activity, which includes cooperation with society and the development of an environment friendly product and manufacturing process.

Respect for the individual

We aim to establish a vibrant corporate culture through respect for individuality and the value of enhanced teamwork, based on shared responsibility and mutual trust between employees and management.



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Businesses and Locations

We supply rubber and plastic automotive parts globally.

Product area

Automotive parts



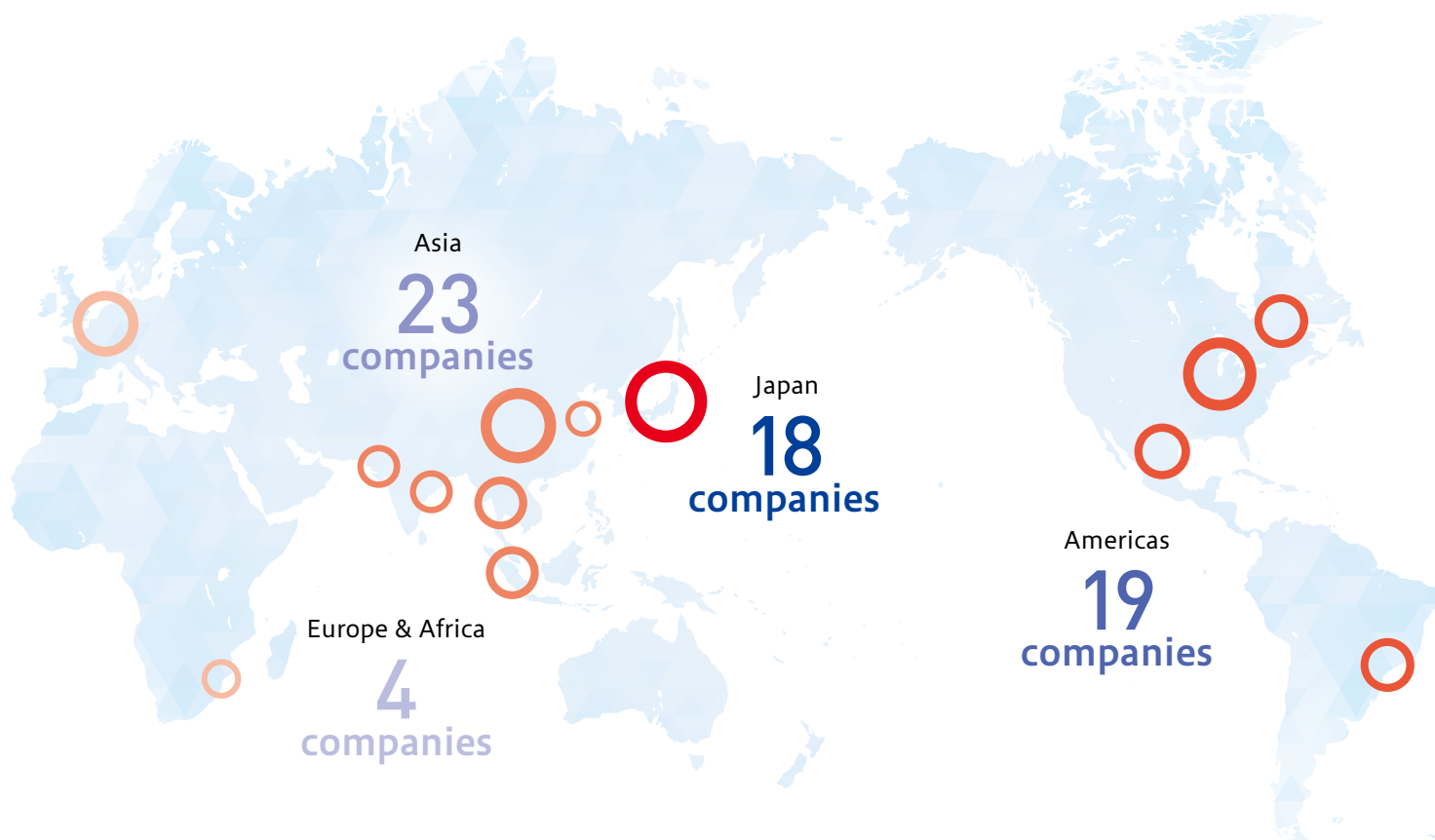
Other products



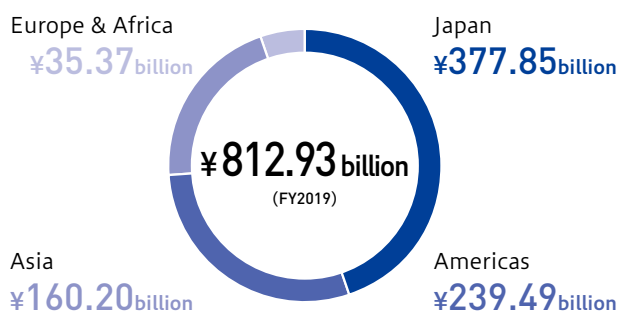
Global network

With 64 group companies in 17 countries and regions, Toyoda Gosei swiftly meets the needs of customers around the world. We have established sales and engineering systems that are customer-oriented and community-based with globally optimal systems of production and delivery.

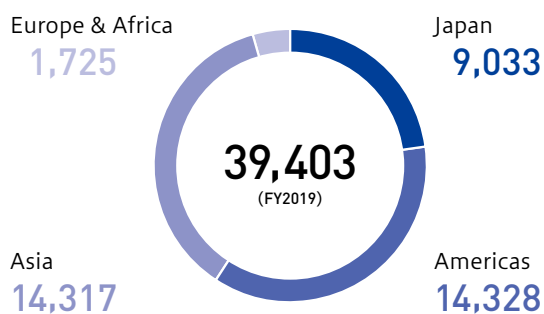
Group Companies **64** companies



Sales by region (Rounded down to the nearest ten million yen)



Employees by region



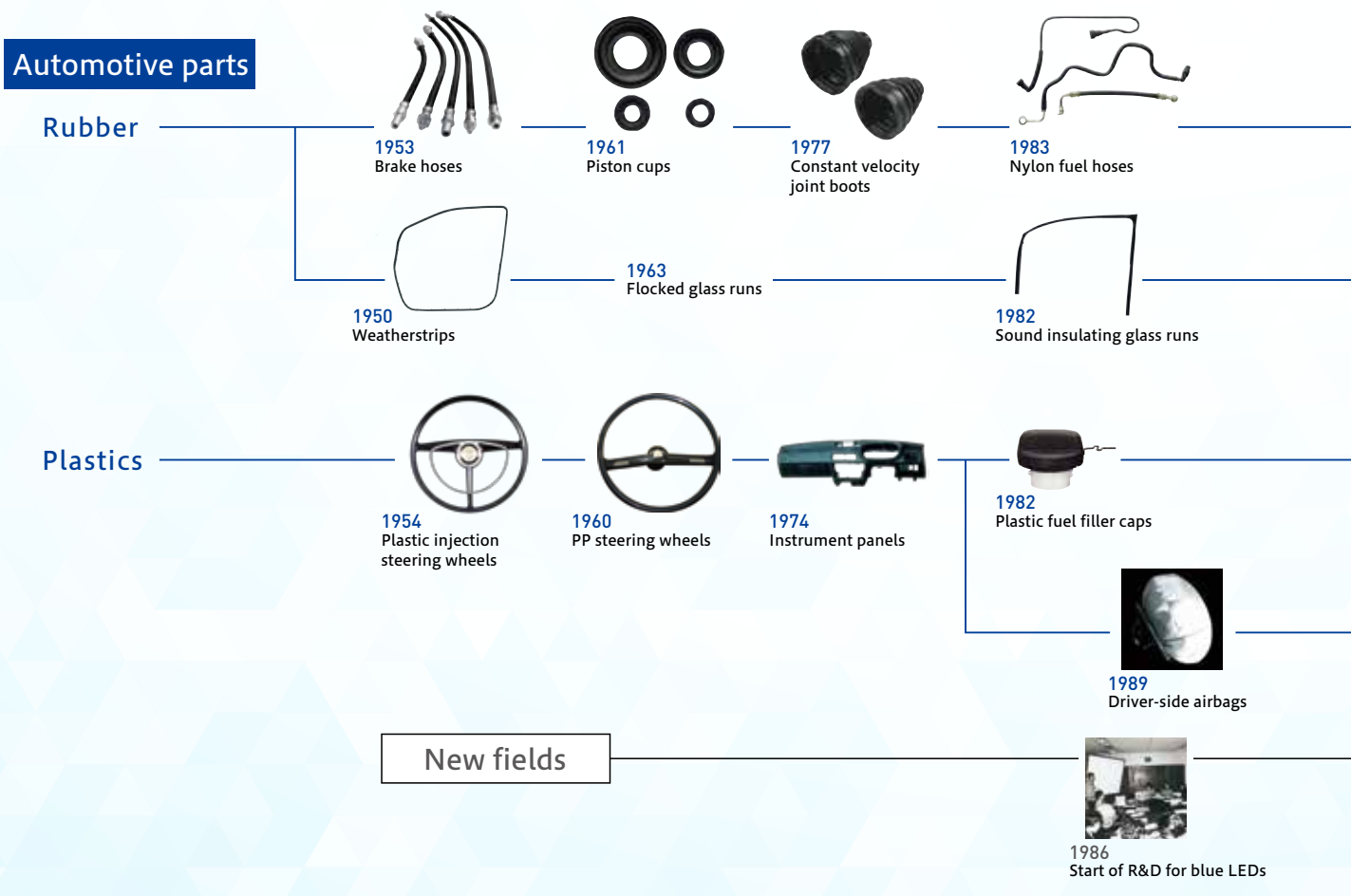
History of Toyoda Gosei

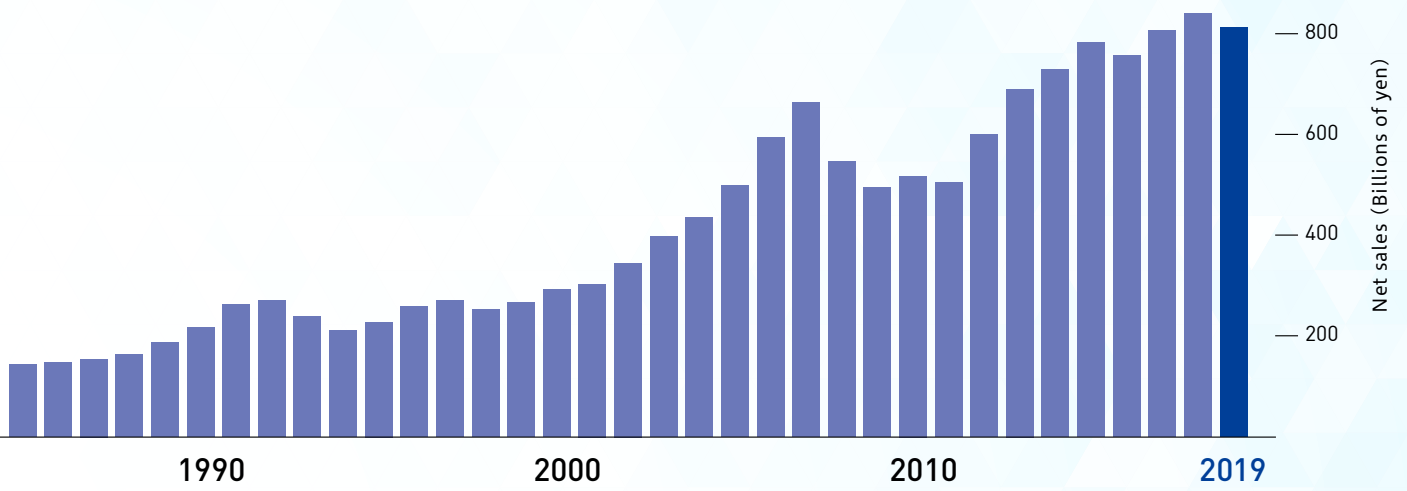
Toyoda Gosei has exploited its expertise in rubber and plastics and provided new value to the world that meets the needs of the times.



Year	Event
1949	Nagoya Rubber Co., Ltd. is established as a spin-off of the rubber research division of Toyota Motor Industry Co., Ltd.
1957	Haruhi Plant begins operation
1967	Inazawa Plant begins operation
1973	Company name is changed to Toyoda Gosei Co., Ltd.
1976	Morimachi Plant begins operation
1977	US Office is established in Illinois
1978	Company is listed on the Nagoya Stock Exchange
1980	Headquarters is relocated to present location (Kiyosu, Aichi Prefecture)
1982	Bisai Plant is completed and begins operation
1985	Capital participation in Tai-yue Rubber Industrial Co., Ltd. Company wins Deming Prize for Total Quality Management
1986	TG Missouri Corporation is established
1997	Company obtains ISO 9001 Present Kitajima Technical Center is completed
1999	Company is listed on the Tokyo Stock Exchange Toyoda Gosei North America Corporation is established

Development history of technologies and products





- 2000** Toyoda Gosei Europe N.V. is established
- 2001** Toyoda Gosei Asia Co., Ltd. is established
- 2005** ISO / TS16949 certification
- 2006** Toyoda Gosei (Shanghai) Co., Ltd. is established
- 2008** Toyoda Gosei Minda India Pvt. Ltd. is established
- 2009** Miwa Technical Center is established
- 2013** Toyoda Gosei East Japan Co., Ltd. is established
- 2013** GDBR Industria e Comercio de Componentes Quimicos e de Borracha Ltda. is established
- 2014** Toyoda Gosei Irapuato Mexico, S.A. de C.V. is established
- 2016** Bawal Plant of Toyoda Gosei Minda India Pvt. Ltd. begins operation
- 2018** Gujarat Plant of Toyoda Gosei Minda India Pvt. Ltd. begins operation
- 2018** PT.Toyoda Gosei Indonesia is established
- 2019** Hubei Toyoda Gosei Zheng Ao Rubber & Plastics Sealing Science and Technology Co., Ltd. is established
- 2019** Thai Binh Plant of Toyoda Gosei Haiphong Co., Ltd. begins operation

- 1991** Success in development of blue LEDs is certified
- 1998** Curtain airbags
- 2000** Noise absorbing air intake ducts
- 2003** Two-color molded opening trims
- 2007** Start of R&D for e-Rubber
- 2008** Rear-end impact airbags
- 2008** Plastic fuel filler pipes
- 2010** Start of R&D for GaN power devices
- 2011** Lightweight radiator hoses
- 2014** Plastic water pipes
- 2015** Capless fuel fillers
- 2017** Glass run for flush surface door
- 2017** Steering wheel with grip sensor / New type of side airbag
- 2017** Large radiator grille
- 2017** Conclusion of exclusive license agreement for the main material in e-Rubber
- 2018** Air conditioner register with LED lighting
- 2018** World-class current operation achieved on a vertical GaN power device / Development with EBM Corp. of the SupeR BEAT heart surgery simulator that uses e-Rubber
- 2019** Plastic turbo ducts / Battery cases
- 2020** Exhibition of e-Rubber technology at CES, the world's largest consumer technology trade show
- 2020** Extra-large spindle grilles



Letter from the President

We will overcome the
current crisis and achieve
a sustainable rise in
corporate value

Toru Koyama
President



My deepest sympathies go out to all people who have contracted COVID-19 and to those who have been affected by the spread of this infection. We at Toyoda Gosei pray that calm and peaceful days will return at the earliest possible time, and we will do our utmost so that we can contribute to society through our business activities.

Self-introduction and aspirations

I would first like to extend my gratitude to our shareholders, investors and all other stakeholders.

After joining Toyoda Gosei in 1982, I worked for 25 years as an engineer in the development of safety systems, and then for eight years as vice president and president at our regional headquarters for the Americas. Afterward, as a director at the World Headquarters, I was responsible for the Corporate Planning Division, where I sought resolutions to management issues.

I recently became the first president to come up entirely through the company in 38 years. I believe Toyoda Gosei's strengths lie in its continuous efforts to pioneer new businesses such as LEDs and e-Rubber while growing its core automotive business using its rubber and plastic expertise. Its worldwide locations also give the company a global reach. We will continue to take full advantage of these strengths, while accelerating each of the strategies in our 2025 Business Plan, following the key words of "Sincerity," "Activity and Unity" and "Strategy." We will strive for further increases in corporate value with a long-term perspective and sustainable growth.

Huge changes in the business environment

The spread of the novel coronavirus has greatly affected our business, and we have made efforts to prevent infections, contribute to social recovery, maintain our production network and more. At the same time, we have all worked together to cut costs and taken other measures to get through this difficult time.

We need to carefully anticipate the post-coronavirus world

and the automotive market. We expect China will continue to grow and are working to develop our business in that market as our second pillar after the Americas. Meanwhile, the pandemic has heightened social needs for safety and security, and we need to meet those needs by pushing ahead with technical development and commercialization.

A look back on FY2019

Under the banner of "overwhelming speed," we have worked to develop our positions in growing markets. In China, we reorganized our production locations. In India, we established a sales and development office and started up a new plant. In Asia, the automotive market is currently stalled, but the region is sure to grow in the future. With the aim of keeping pace with the speed of business in China, we have established a new "BR China Product Engineering Department" that is dedicated to developing products for the Chinese market. In India, we will continue to build a production foundation to accommodate future increases in production volume, ensure profitability, and raise our positions.

Improving our business in Europe has been a major issue for years, and we have reformed our business structure by selling Toyoda Gosei Meteor in Germany. In the fourth



Toyoda Gosei booth at Tokyo Motor Show 2019

quarter of FY2019 we achieved a return to profitability. Our efforts have begun to show effects.

In the technical field, we are collaborating with other companies to swiftly develop new products for CASE technologies. At the Tokyo Motor Show, we exhibited steering wheel modules and next-generation safety systems in cooperation with other Toyota Group companies. We have also been investing in startups that promise synergy with our key strengths. The outstanding technologies of these companies will help to improve the value of TG products and shorten the development time.

We have also been working to pioneer new businesses. In January 2020, we showed the world our e-Rubber technology at CES, the world's largest electronics exhibition held in Las Vegas, USA. e-Rubber is a novel material that can virtually reproduce the sense of touch. In the coming years we intend to bring products to the market in the three areas of IoT sensors, haptics, and tactile hands. We also plan to move ahead with activities for commercialization in many fields, with a view to possibilities that will meet social needs in areas such as telemedicine.



e-Rubber haptics and augmented reality

FY2020: A year to display our true abilities

With the resolution of our major structural issues in Europe, we are ready to display our true abilities and turn to full offense as we work to achieve the goals in our 2025 Business Plan.

In the field of new technologies, we will introduce products that contribute to solving social issues at the earliest possible time. This includes the use of e-Rubber in the medical and other fields and commercialization of sterilization with deep UV LEDs, based on the needs for safety of post-coronavirus society.

By focusing resources on product fields and geographic regions with high potential for profitability and growth, we will strive for the further growth of our automotive business. Specifically, we are focusing efforts on safety systems and functional products, and the growing markets of China and India.

On our production floors, we adopt the thinking of “reducing costs by thoroughly eliminating waste” that is the aim of the Toyota Production System. We will accelerate the global spread of innovative production technology for labor savings and automation as we move to strengthen our manufacturing abilities. We are also moving ahead to reduce loss with IoT and raise productivity, and utilizing Special Skill Dojos to pass on TG skills to the next generation.

To achieve business growth in the future, we are actively advancing communication measures and personnel development for all employees, who support our global operations.

SDGs / ESG efforts

Based on our management philosophy, Toyoda Gosei supports the Sustainable Development Goals (SDGs), which are shared goals of international society to be achieved by 2030. All Toyoda Gosei employees are making efforts to contribute to the achievement of these 17 goals.

We have decided on eight goals that are closely related to our business and established a dedicated organization to further accelerate our activities.



As a company, we believe that we can increase our corporate value by conducting our businesses in ways that contribute to the solution of social issues. As a company of integrity, we will enhance and promote activities related to SDGs/ESG.

We have been implementing corporate culture reforms in recent years in recognition of the extreme importance of enhancing the vitality and sense of unity that forms the basis of corporate growth.

In the field of governance, in order to increase the transparency and objectivity of executive appointments and compensation, we have made outside directors the chairpersons of the Executive Appointment Committee and the Executive Compensation Committee, the majority of whose members are also outside directors. To assist outside directors in properly performing their monitoring functions, we endeavor to share information on the company's situation through means such as individual explanations by each department and outside director liaison meetings attended by all outside directors. We also provide advisory opportunities outside the Board of Directors, and we will continue to utilize the wealth of experience and deep insight of outside directors to improve corporate value over the medium to long term.

In April 2020, we held our first ESG briefing session for institutional investors. We would like to deepen our relationships with all of our stakeholders by providing them with opportunities for active dialogue.

Moving toward achievement of the 2025 Business Plan

The Toyota Gosei 2025 Business Plan was adopted in May 2018 with the aim of sharing more specific goals and initiatives throughout the TG Group as we look to the future for sustainable growth. Two years have passed since the formulation of the plan, and the first step, the elimination of losses through structural reforms, has come into sight. The next step is to increase sales revenue and improve profit margins by pursuing growth in the automobile business. To do this we have been developing our production network to achieve steady growth in sales. We will also continue efforts to accelerate commercialization of technologies in new business fields beyond automobiles.



Message from the Officer in Charge of Finance



Engaging with capital markets as an open company, we will use their feedback as a management input in executing our 2025 Business Plan.

Masaki Oka Director, Corporate Officer,
Chief of Finance & Accounting Headquarters, Chief of Corporate Planning Division

Strengthening dialogue with capital markets

In recent years, Toyoda Gosei has been placing more priority on IR activities, strengthening dialogue with institutional investors in particular. In FY2019, we launched a shareholder relations (SR) program to better engage with shareholders and institutional investors in line with their needs as gleaned through our dialogue with them and in accord with the intent of Japan's recently issued/revised Corporate Governance and Stewardship Codes.

We earnestly listen to shareholders and investors' opinions and advice through our SR program and adjust our management approach accordingly. In March 2020, we transferred chairmanship of the Executive Appointment Committee and Executive Compensation Committee from the president to an outsider director. We also split oversight of the Audit Division and Finance & Accounting Division, previously supervised by a single executive, between two executives. Additionally, we have taken steps to become a more open company, including holding an ESG briefing led by top management in April. We plan to hold ESG briefings on an ongoing basis.

Another topic that has come up in SR settings is our strategic shareholdings. We hold stock in 25 companies as of March 31, 2020. We fully divested equity stakes in three companies in FY2016 and five more in FY2019. We plan to continue to periodically pare down holdings of stocks deemed no longer worth owning from a strategic or investment standpoint.

Additionally, we have a debt IR program to engage with bond investors and rating agencies. It provides objective feedback on financial soundness and has reaffirmed the importance of cash flow generation. To utilize debt markets as a ready source of capital, we intend to deepen our engagement with investors with perspectives different than equity investors' and better balance our financial strategy.

Insights gained from such dialogue with capital market participants are proactively shared within our organization as feedback. Reports from IR staff are also shared among management down to the divisional

general manager level, not merely presented at meetings of senior-most executives. We apply input from outsiders to business activities throughout our organization.

Senior management enthusiastically participates in IR activities. For example, the head of development has attended meetings with investors as the main presenter and the general manager of the e-Rubber business has held briefings. Since FY2019, sales division general managers have started attending meetings of analysts to discuss the state of our businesses on the front lines. By involving not only IR staff but also a company-wide cross-section of personnel in IR, we engage more fully with capital markets and incorporate their input into our business activities. Such an approach is conducive to an appropriate valuation for Toyoda Gosei.

The auto industry is currently in the throes of major change. Inwardly focused companies are at risk of falling behind the times and failing to survive let alone grow. Toyota Group founder Sakichi Toyoda famously once said, "Open the window. It's a big world out there!" We believe that continuing to earnestly listen to outsiders' point of view is especially crucial in times of change. While analysts and investors sometimes offer harsh criticism, much of their input is valuable advice for us and a reflection of big expectations for Toyoda Gosei. We engage in IR not only to gain recognition from capital markets in the form of an appropriate valuation but also because we believe that another key role of IR is generating internal feedback that keeps our workforce highly motivated.

Operating performance

FY2020 has gotten off to a tumultuous start, forcing us to urgently focus on short-term profitability for the time being. In the face of concerns about a second and even third wave of the COVID-19 pandemic, we have shifted to a more nimble footing to enable us to swiftly adapt to external changes.

Despite drastic deterioration in the operating environment, we ended FY2019 with an ample equity cushion. Specifically, equity attributable to owners of parent at fiscal year-end was equivalent to 48.7%

of total assets. We also supplemented our on-hand liquidity by raising additional debt capital. Additionally, we bolstered our cash-generative capacity by divesting chronically negative-cash-flowing subsidiaries in FY2019 in conjunction with restructuring the European business. We have sufficient wherewithal to successfully navigate the COVID-19 crisis. We have shored up our financial position to not only protect Toyoda Gosei and its affiliates but also to act responsibly from an SDGs/ESG standpoint, including by supporting suppliers and maintaining employment.

Meanwhile, we have our sights set on further profit growth after the pandemic has subsided. We will use the crisis as an opportunity to further solidify our profitability by globally overhauling our cost structure with respect to fixed expenses that have swelled over the course of our growth to date. For subsidiaries too new to have experienced the 2008–09 Global Financial Crisis (GFC) in particular, we see the pandemic as a sort of stress tests that affords an opportunity to improve efficiency.

One challenge we must address to achieve the 2025 Business Plan's targets is to improve profitability. In FY2019, our operating profit margin, adjusted to exclude one-time factors, was around 5%, three points below our 8% target. We plan to rectify this three-point shortfall through three steps. The first is restructuring of unprofitable businesses. The second is growing the existing automotive parts business in lucrative markets with promising growth prospects. The third is achieving high profitability in new businesses such as e-Rubber.

The restructuring of unprofitable businesses was largely completed with our European restructuring in FY2019. We expect it to boost annual operating profit by roughly ¥5 billion. In terms of the other two steps, we will accelerate initiatives to increase the profitability of the existing automotive parts business in particular. To do so, we will strategically allocate limited resources and improve the business's portfolio in terms of both geographic and product mix in the aim of boosting the automotive parts business's operating profit margin to 7%.

At our FY2019 financial results briefing, we presented a 4 × 4 matrix of product domains and regions that was appended with an extra column representing new businesses across all regions. We explained to investors which of the matrix's 17 cells we are targeting for growth. We plan to use this 17-cell matrix concept in future IR communications while allocating strategic resources and controlling operations more effectively than in the past.

Capital cost

To achieve capital efficiency that sustainably exceeds our cost of equity, we have set a 10% ROE target in our 2025 Business Plan. Achieving a 10% ROE requires a certain degree of control from a financial leverage standpoint in addition to improved profitability. We have formulated financial policies on matters such as shareholder returns and investment and disclosed them in November 2018.

In talking with investors since publishing the ROE target in the 2025 Business Plan, we have found that they have even more questions than before about cost of capital. For example, we have been asked not only whether the European business restructured in FY2019 have turned profitable but whether they will achieve capital efficiency commensurate with cost of capital. We have been asked the same question about other low-margin businesses also.

To turn such input from capital markets into grist for growth, we must internally step up our efforts to increase profitability further. We believe strategic management is also essential to asset efficiency, particularly in terms of how to most efficiently allocate resources, starting with capital investment.

Financial policy

Even amid the current extremely adverse environment, we will stay committed to capital efficiency without erring too much on the side of safety. Our financial policy unveiled in November 2018 remains unchanged.

With respect to shareholder returns, we will basically adhere to our financial policy despite the recent severe deterioration in our operating environment due to the pandemic.

Regarding capital investment, we will stringently screen prospective cash outlays for necessity until further notice, but our policy of setting aside ¥50 billion per year to fund growth investments to achieve the 2025 Business Plan's targets remains unchanged.

Regarding cash reserves, we borrowed emergency loans to secure ready liquidity in response to the pandemic. We borrowed ¥20 billion of long-term funding from banks and arranged a ¥30 billion committed line of credit. We did so to raise cash in response to greater risks than during the GFC and topped up cash reserves to its baseline level of ¥30 billion more than consolidated monthly sales.

In recent years, Toyoda Gosei has been strengthening its IR program under the leadership of top management. As disclosure has improved, we have been receiving even higher-quality feedback from investors than before, leading to further improvement in our management and IR. We will continue to unremittingly upgrade our IR as an open company.

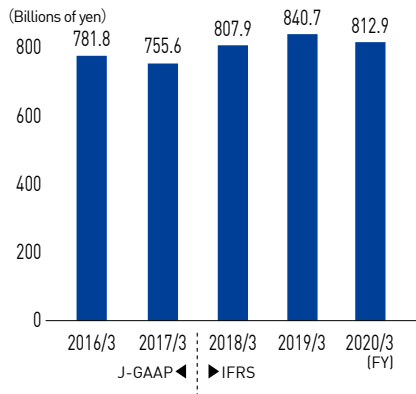
Financial Policy	Shareholder returns	Regarding shareholder returns for the time being, we will work wholly to reward shareholders based on a consolidated payout ratio of 30% or greater, from a variety of perspectives.
	Capital investment	We will secure 50 billion yen by FY 2025 as funding for capital investment for growth.
	Cash reserves	In view of the prevailing circumstances, we will secure cash reserves* of consolidated monthly turnover + 30 billion yen including funds to cover risk. * Short-term borrowings (less than one year) are excluded.

Financial and Non-Financial Highlights

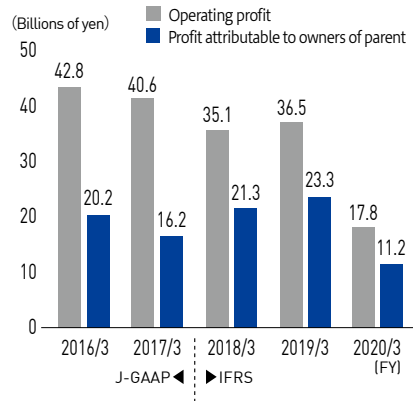
Financial data

The Group adopted International Financial Reporting Standards (IFRS) effective from the first quarter of fiscal 2018, ended March 31, 2019. Additionally, fiscal 2017 data were converted to IFRS-basis.

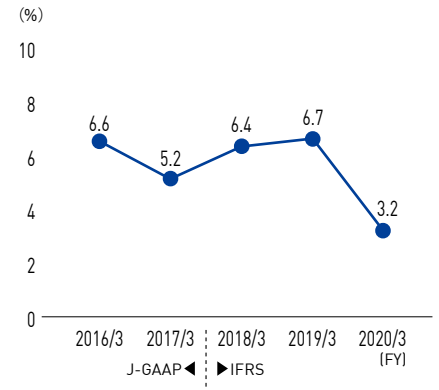
Revenue



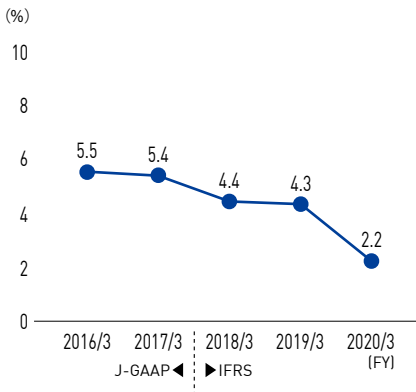
Operating profit / Profit attributable to owners of parent



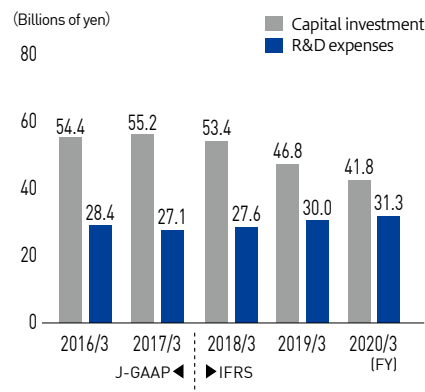
Return on equity



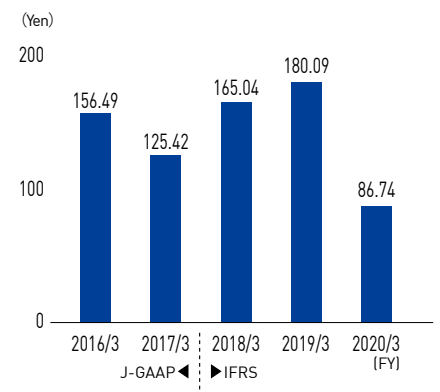
Operating profit ratio



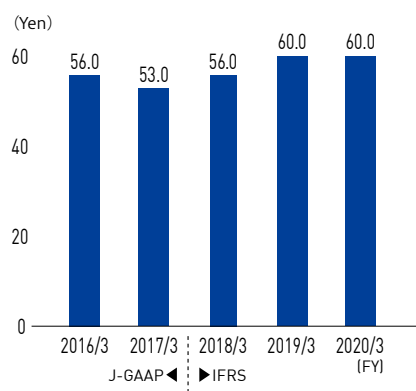
Capital investment / R&D expenses



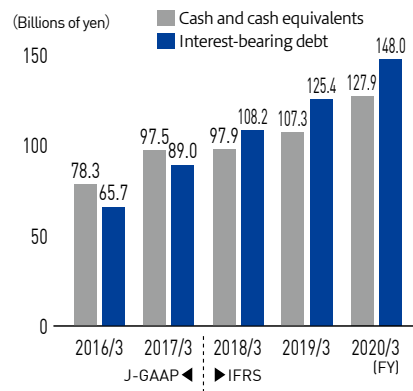
Basic earnings per share



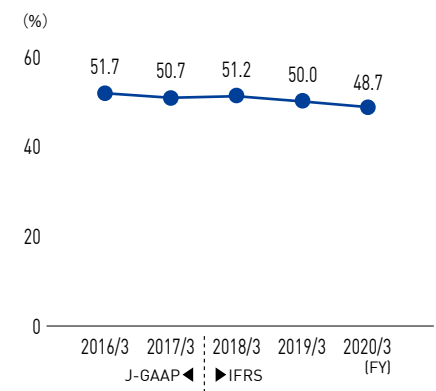
Annual dividends per share



Cash and cash equivalents / Interest-bearing debt



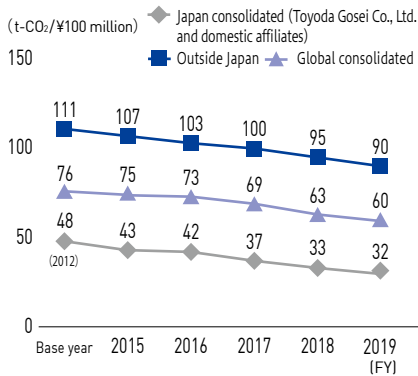
Ratio of equity attributable to owners of parent to total assets



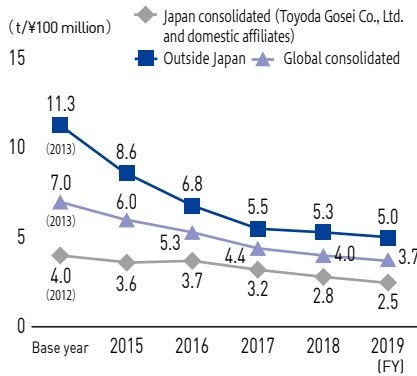
Non-financial data

Environment (E)

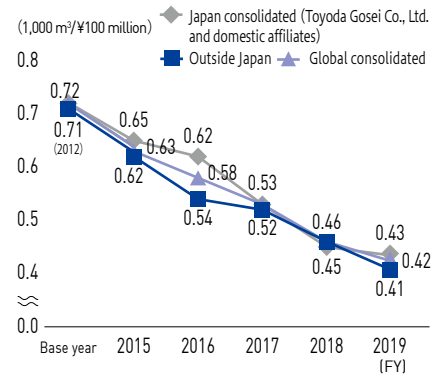
CO₂ emissions per sales unit



Waste volume per sales unit

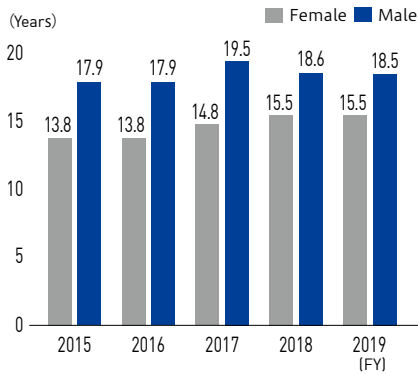


Water use per sales unit

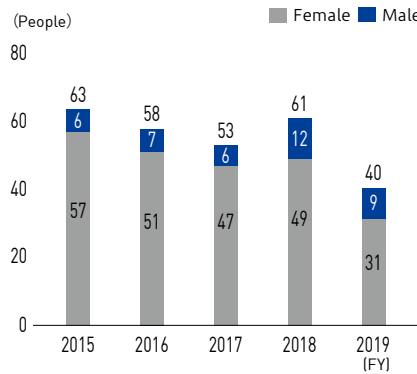


Social (S)

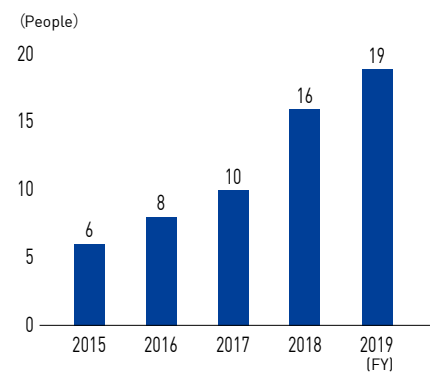
Average years of service for male and female [Toyoda Gosei Co., Ltd.]



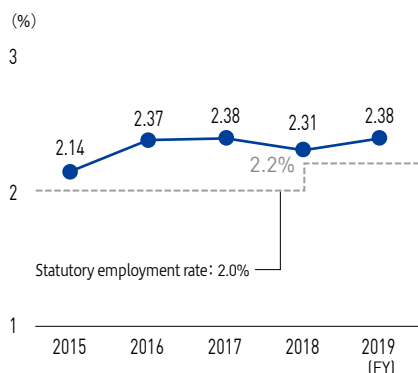
No. of parental leaves taken [Toyoda Gosei Co., Ltd.]



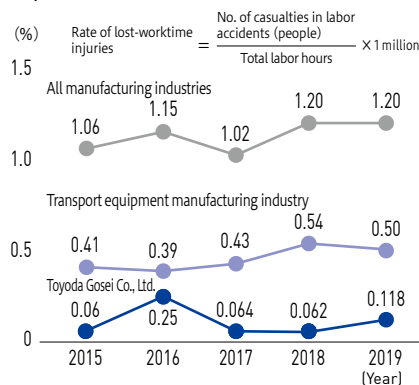
No. of female managers [Toyoda Gosei Co., Ltd.]



Employment rate of people with disabilities [Japan]

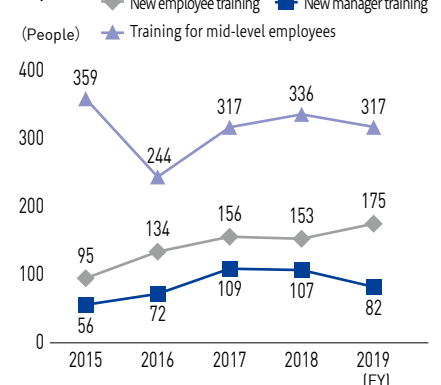


Labor accident rate (rate of lost-worktime injuries) [Japan]



Governance (G)

No. of people who have taken compliance training [Japan]



Value Creation Process

With its company creed of “Boundless creativity and social contribution,” the Toyoda Gosei Group exploits its expertise in rubber and plastic, its global reach, and its experience in pioneering new businesses, continuing to meet social needs through the provision of automotive products and other innovations.

Environmental and social issues

Deepening social issues

- Global warming
- Depletion of resources
- Water risks from droughts and floods
- Increasing number of endangered species
- Aging populations

Acceleration of technical innovation

- IoT/AI
- Electrification

Changing values

- Diversification of values
- Changing consumer behaviors
- From ownership to shares

Management resources (input)



Human

- Number of employees 39,403



Manufactured

- Number of locations 94
- Capital investment ¥41.8 billion



Intellectual

- R&D expenses ¥31.3 billion



Social and relationship

- Number of suppliers 701



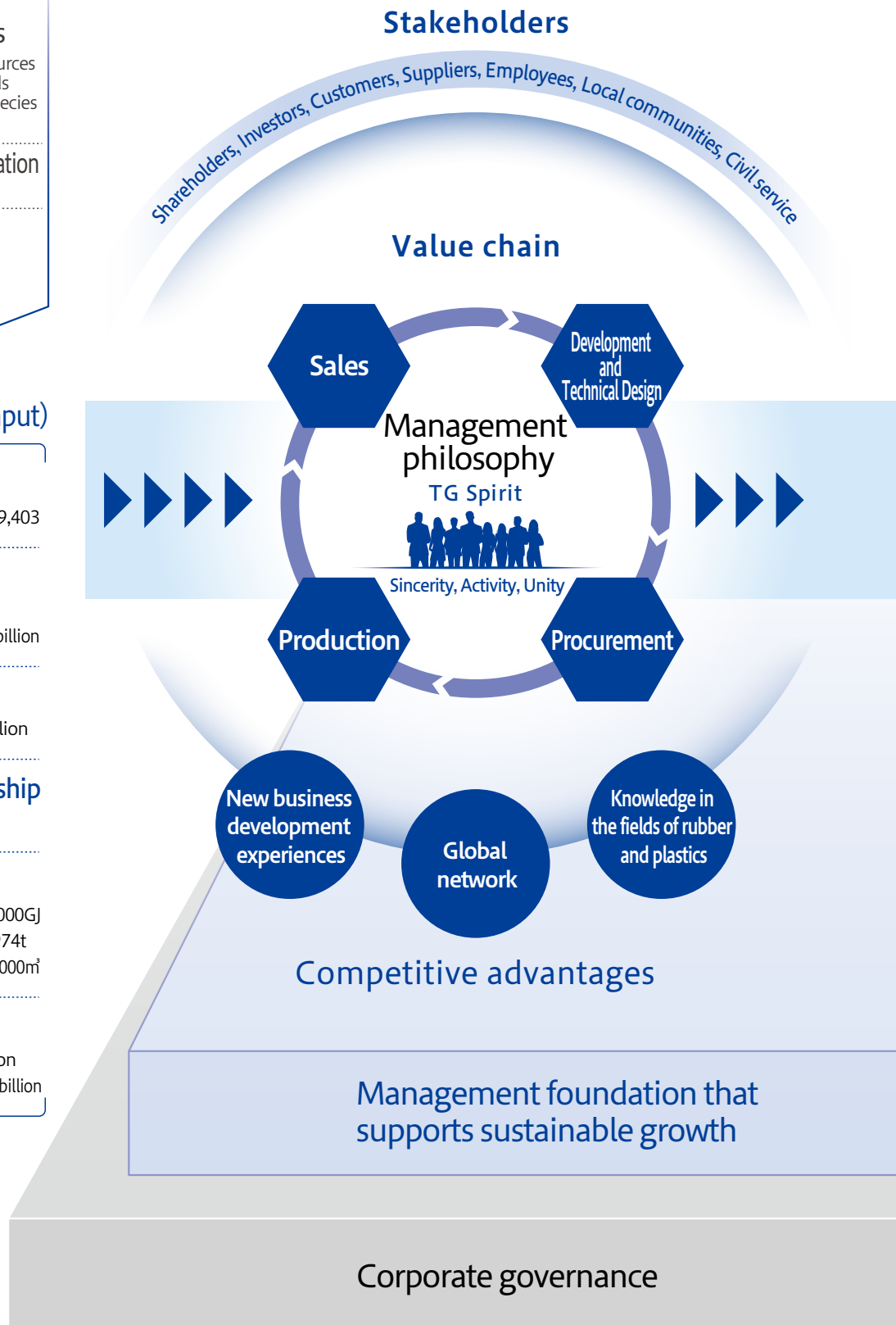
Natural

- Total energy input 2,571,000Gj
- Total material input 45,974t
- Water resource input 1,260,000m³



Financial

- Total assets ¥709.1 billion
- Interest-bearing debt ¥148 billion



Business, Products

Automotive

Weatherstrips



Functional Components



Interiors and Exteriors



Safety Systems



Other areas

- e-Rubber
- LEDs
- GaN power devices
- General Industry Products



Solving social issues



Achieving a decarbonized society



Providing safety and comfort



Supporting aging societies



Contributing to the local community

Social value



Achieving the 2025 Business Plan

P18 ▶



Medium- and Long-Term “2025 Business Plan”

To deal with a dramatically changing business environment and achieve sustainable growth into the future, Toyoda Gosei’s 2025 Business Plan lays out three key areas that take advantage of the Toyoda Gosei Group’s cultivated strengths. This shows not only numerical targets or business expansion, but also new efforts to contribute to society and to grow sustainably.

What we aspire to be

Toyoda Gosei aims to grow as a global company that acts flexibly and swiftly in today’s dramatically changing business environment, delivering the highest levels of satisfaction to customers worldwide through **safety, comfort, well-being and the environment**

Financial objectives

	FY2017 (J-GAAP)	FY2025 (IFRS)
Revenue	¥806.9 billion	¥1 trillion
Operating profit ratio	5.1%	8%
ROE (Return on equity)	6.6%	10%

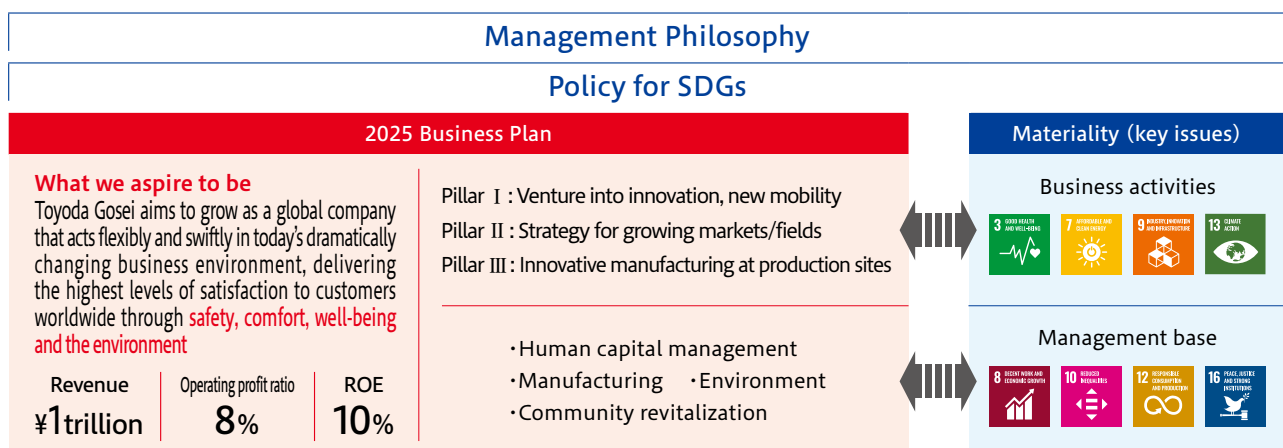


Financial Policy

Shareholder returns	Regarding shareholder returns for the time being, we will work wholly to reward shareholders based on a consolidated payout ratio of 30% or greater, from a variety of perspectives.
Capital investment	We will secure 50 billion yen by FY 2025 as funding for capital investment for growth.
Cash reserves	In view of the prevailing circumstances, we will secure cash reserves* of consolidated monthly turnover + 30 billion yen including funds to cover risk. * Short-term borrowings (less than one year) are excluded.

Sustainability efforts

To create social value and economic value, we are promoting efforts associated with the 2025 Business Plan and materiality.



The situation before us and key future strategies

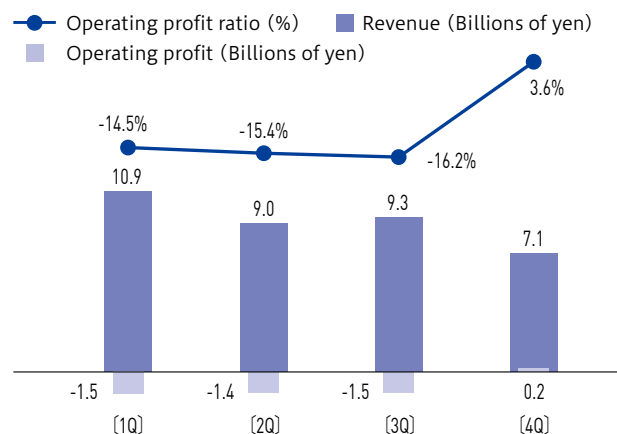
The situation before us

Sales and profits declined in FY2019 due to the loss on liquidation of our business in Europe and the impact of the novel coronavirus. Our European business has been a challenge for some time, and while we posted a temporary loss, we were able to set definite targets for structural reforms. In the three months of the fourth quarter we recorded a surplus for the first time in five years.

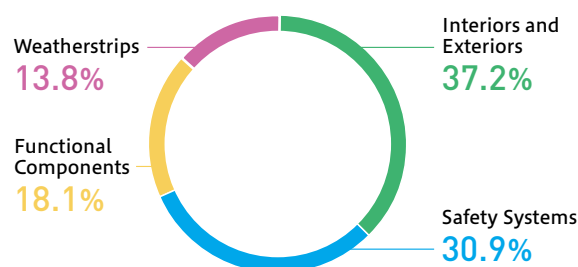
In the immediate future we will remain in “emergency mode” globally from the impact of the novel coronavirus, and execute cost controls to deal with the decrease in sales.

Meanwhile, we will implement a range of measures that give greater priority to resources for a prompt recovery corresponding to the changes in the post-corona markets, research and development with a view to the future, and key geographical regions and business fields. In this way we will continue to work toward sustainable growth. We will also seek to promote productivity improvements globally, such as manufacturing innovations utilizing AI and IoT, and remote work and other work-style reforms to accelerate the achievement of the 2025 Business Plan company-wide.

Performance in the Europe/Africa region (FY2019)



Sales ratio by product area



Key future strategies

The figure on the right shows our key strategies for achieving the goals of the 2025 Business Plan. The red arrows pointing upward to the right show the geographic regions and product areas where we aim to grow sales.

In the product areas of safety systems and functional parts, we plan to expand sales of airbags and products for electric vehicles and fuel cell vehicles in many regions with a focus on safety and security. In the area of interior and exterior products, we will try to expand sales mainly in the Americas, where profitability is high.

Among geographic regions, the Americas have been key to much of our growth, but now we will undertake various efforts to cultivate China and the rest of Asia as a second pillar.

By focusing our resources on product areas and geographic regions with potential for excellent growth and profitability, we will optimize our portfolio and improve overall profitability.

Strategy by segment/product area

Product Area \ Segment	Safety Systems	Functional Components	Interiors and Exteriors	Weatherstrips	New Technology	Total
Japan	→	→	→	→		→
Americas	↗	↗	↗	→	↗	↗
Asia	↗	↗	→	→		↗
Europe	→	→	→	↘		↘
FY2025 sales image (FY2019)	¥350 billion (¥230)	¥150 billion (¥130)	¥300 billion (¥280)	¥100 billion (¥100)	¥100 billion (0)	
	Growing sales in most regions	Energy focused on regions where profits can be earned		Faster commercialization		

Note: Assumed exchange rate \$1 = ¥100

Pillar I : Venture into innovation, new mobility

e-Rubber exhibited at domestic and international trade shows

Toyoda Gosei’s knowledge of rubber has been cultivated over many years. Today we are using that knowledge in a focused effort to develop e-Rubber, an innovative rubber that moves when electricity is applied. In January 2020, we exhibited for the first time at CES, the world’s largest consumer technology trade show held in the USA, with a booth that featured e-Rubber haptics. The following month we exhibited an e-Rubber tactile hand that can detect the shape and softness of an object at RoboDEX in Japan. These exhibits were favorably received by visitors, many of whom requested samples.

e-Rubber haptics in augmented reality



Toyoda Gosei booth at CES

Our booth at CES included a demonstration using haptics technology, in which vibration or other forces are used to simulate the actual feel of touching an object. In this demonstration, a virtual bird appeared in front of the user through AR goggles. When this virtual bird lit on the user’s finger, the user experienced a life-like feeling of being touched through a thin, soft vibrating device made with e-Rubber.

Barista robots (equipped with a tactile hand)



Toyoda Gosei’s “tactile hands” that use lightweight, soft and highly sensitive e-Rubber sensors are employed in robot systems by QBIT Robotics Corp.*1

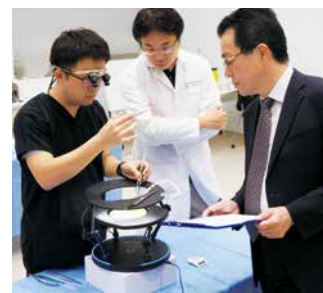
*1 A startup that develops systems centered on collaborative robots for use in the service industry, including food service and entertainment.

Launch of “Super BEAT” medical training simulator using e-Rubber

Toyoda Gosei and EBM Corporation*2 launched the “Super BEAT” surgical training simulator in October 2019. This simulator can reproduce the beating of the heart with extreme accuracy using e-Rubber. The two companies have been collaborating since November 2017 to develop a practical simulator that can help surgeons to efficiently improve their skills. Demand for such surgical training simulators is rapidly growing as medical surgeries are becoming increasingly sophisticated and ensuring safety becomes important more than ever. Training using simulators has become compulsory in specialties such as cardiovascular surgery, where doctors must complete a fixed amount of training.

A special program installed in the simulator enables more than a dozen heartbeat patterns, which can be combined to mimic varying states such as the complex heartbeat patterns seen with arrhythmia or the rapid heartbeat of infants. A stressful surgical environment very close to that of actual coronary artery bypass surgery*3 can also be reproduced.

The current coronavirus pandemic has brought new social needs to the fore. Telemedicine, for example, may help to ensure the safety of medical personnel and prevent medical systems from being overwhelmed. With e-Rubber, the human sense of touch when touching on object is converted into digital signals, which are then transmitted and reproduced at a distant location. With haptics technology, e-Rubber has the potential to contribute to the realization of telemedicine. It is looked to with expectation from many quarters.

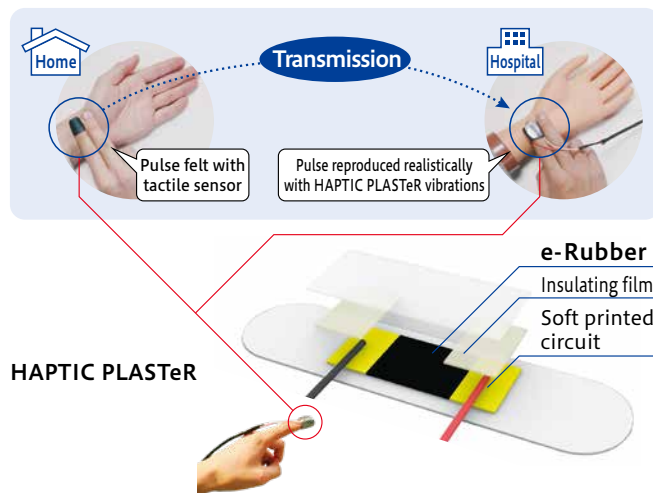


*2 EBM is a university-launched venture company involved in training simulator development and system creation for both domestic Japanese and overseas markets, principally in the field of cardiac surgery. Their main products are used in about 70% of cardiovascular surgery hospitals in Japan, and also sold in the United States, Europe, and Asian countries. With the aim of international standardization of surgical technique training, EBM is cooperating closely with doctors from the aspects of both equipment and practices, centered on their Fukushima Institute of Surgical Training (FIST).

*3 In surgeries to repair angina, myocardial infarction or other conditions in which circulation of the blood (oxygen supply) in the heart is impaired due to arteriosclerosis, blood flow is ensured by connecting the constricted artery to another healthy artery. To reduce patient burden, off pump surgery done without a heart-lung machine, which means the heart is still beating, is increasingly used. A high level of skill is essential to suture together vessels with a diameter of 2 millimeters on the surface of a beating heart.

Haptics (tactile transmission) will contribute to the realization of telemedicine

e-Rubber can function as both an actuator and a sensor. Utilizing these strengths, e-Rubber is promising for areas such as telemedicine, where it can be used for online “palpation” and other tactile aspects of examinations, through haptics technology that simulates the feeling of touch.



Various kinds of elemental technologies for the realization of future concepts introduced at Tokyo Motor Show

Commu-Touchpad

This is a haptic technology that simulates various tactile sensations using the vibration of e-Rubber, a next-generation rubber that expands and contracts with electricity.



Toyota Gosei's future technologies for the age of CASE shown at the Tokyo Motor Show

Toyota Gosei exhibited at the 2019 Tokyo Motor Show, held at Tokyo Big Sight in October 2019. The exhibit included our CASE-compliant technology that will contribute to mobility in the coming years, and our future interior-exterior concepts as a specialist in rubber and plastic products.

We also showed modular products that combine safety support functions and attractive design by integrating sensors and other electronic components into our main products, such as front grilles and steering wheels, and new airbags for the era of autonomous driving.



Front grille module

This module is equipped with sensing functions that recognize the surrounding environment with cameras and millimeter wave radars, and signage functions that communicate the vehicle's operating status to people nearby with LED lights.



Next-generation safety system

Airbags are integrated into seats to accommodate the more diverse occupant postures that are expected with autonomous driving.



Steering wheel module

Human machine interface functions are added for coordinated vehicle operations between humans and systems. Driver monitoring functions sense the condition of the driver with cameras and sensors, and information functions convey information with light and vibration.



Future concepts

Flesby III

In Flesby III, AI is applied to a soft body made with the use of rubber and plastic technology, making this car like a partner that can communicate through touch.

This exterior concept includes a safety function that absorbs shocks in the event of contact with a pedestrian, and an energy-saving function that optimizes the vehicle shape according to the driving situation.

The interior concept has a “first class” function that creates a feeling of calmness with a softly enveloping sheet and LED lighting that changes color depending on the scene.



Pillar II: Strategy for growing markets/fields

Strategy for Asian business

Asia is a region where we will continue to grow our business. It is our second pillar following the Americas.

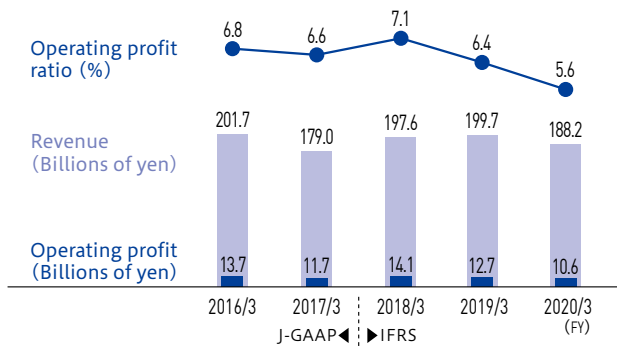
China is a key market that is expected to grow significantly, where we are moving ahead with even greater profit structure reform. In India and other emerging countries, we can expect an increase in airbag utilization rates due to stricter safety regulations, and we aim to steadily increase profits by expanding sales and reducing costs.

In China in particular, we are consolidating our business management system and reorganizing our company locations in anticipation of the growth of our customers' businesses. We are ensuring management efficiency as we grow in scale, speeding up decision making, and delegating authority to national staff.

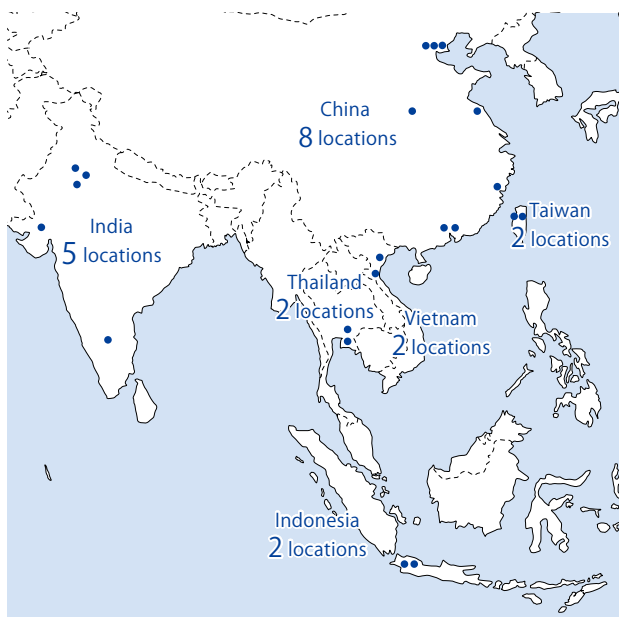
Until recently, we expanded our business in coastal areas, but a December 2018 investment in Hubei Rock (currently Hubei Toyoda Gosei Zheng Ao Rubber & Plastics Sealing Science and Technology) gave us a foothold in the inland area with the Dongfeng Motor Group. The environment in the Chinese market is currently harsh due to the recent economic slowdown and intensifying competition with the growth of the market, but we will seek to recover from this setback with CASE-compliant products.

To take us in that direction, we are moving TG China's Shanghai Office R&D Center (scheduled to start operation in March 2022) and taking other steps to strengthen our local technical development system.

Sales and operating profit trends in Asia



Production locations



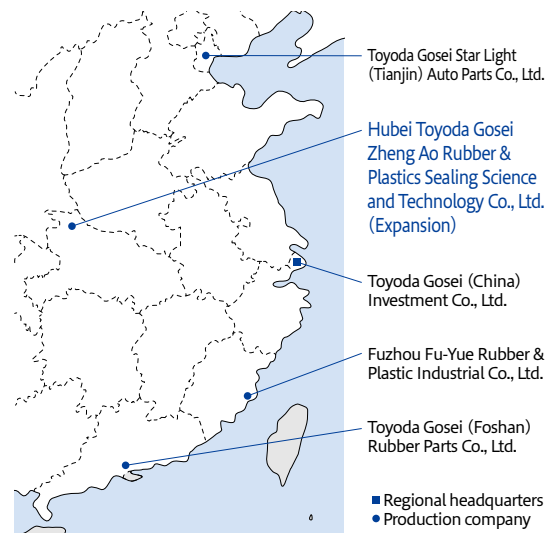
TOPICS

Strengthening our weatherstrip production network in central China

To expand our automotive parts business in China, the world's largest market, we are strengthening our production system for weatherstrips at an affiliated company in Hubei Province called Hubei Toyoda Gosei Zheng Ao Rubber & Plastics Sealing Science and Technology Co., Ltd. (TG Zheng Ao). By May 2021, we will enlarge the plant building and add production equipment to double the weatherstrip production capacity from the level in FY2018.

TG Zheng Ao became a Toyoda Gosei affiliate when the Toyoda Gosei Group invested in independent supplier Hubei Rock in December 2018. The company has supplied weatherstrips to Dongfeng Motor Corporation, one of China's "Big Three" automakers, as well as to its joint ventures Dongfeng Honda Automobile Co., Ltd. and Dongfeng Peugeot-Citroën Automobile Co., Ltd., automakers in partnership with Honda Motor Company and Groupe PSA, respectively. With this expansion, Toyoda Gosei aims to make TG Zheng Ao a core location for growing the TG Group's business in central China.

Weatherstrip production network system in China



TOPICS

Reorganization of production subsidiaries in India

Toyoda Gosei Co., Ltd. is restructuring its production subsidiaries in India to optimize its production network in that country. The company will transfer all its shares in Toyoda Gosei South India Pvt. Ltd. (TGSIN) to Toyoda Gosei Minda India Pvt. Ltd. (TGMIN) in 2020.

TGSIN supplies interior/exterior and other parts mainly to Toyota Motor in South India, while TGMIN supplies airbags, steering wheels, and other parts mainly to Suzuki Motor in North India. With this

restructuring, Toyoda Gosei intends to develop a more flexible supply system in India that is not bound by product categories.

India is a market of focus in Toyoda Gosei's medium- and long-term 2025 Business Plan. Recently the Gurgaon Sales and Engineering Office was established and a new plant went into operation in Gujarat. We will continue to enhance the development and production capacity in this emerging market.

Business network in India



Safety Systems business strategy

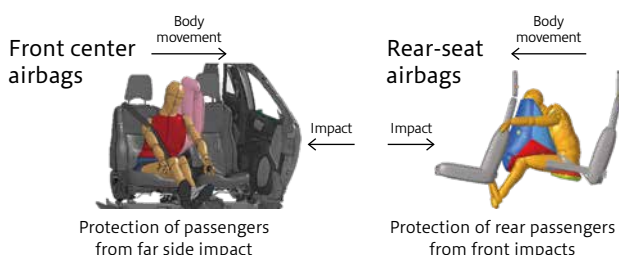
Among safety system products, we will grow sales of highly profitable airbags in both developed and emerging countries.

The assessment trends in developed countries are shown below on the left. We will continue to introduce new products with a view these stricter assessments, starting with far-side passenger protection in Europe in 2020.

Developed countries

Introduction of new products with a view to strengthening assessments

- Assessment trends**
- 2020 Far-side passenger protection (Europe)
 - 2021 Stricter side impact regulations (USA)
 - 2023 Rear passenger protection (USA)
 - 2025 Oblique impact passenger protection (USA)



The number of airbags equipped in vehicles will also increase in emerging countries, such as the requirement for driver’s side airbags as standard equipment in India in 2019. We will increase sales by solidly meeting this need. We also aim to improve profitability by investing to increase airbag capacity in Vietnam and localizing inflators in cooperation with Daicel in India.

Emerging countries

Handling increased number of airbags used and promoting cost reductions

- Assessment trends**
- 2019 Driver’s side airbag becomes standard equipment (India)
 - 2021 Stricter offset impact regulations (China)
 - 2021 Far side passenger protection (China)
 - 2021 Pedestrian protection (ASEAN)

- Cost reductions**
- Increased airbag production: Investment to increase capacity (Vietnam)
 - Inflator localization: Cooperation with Daicel (India)

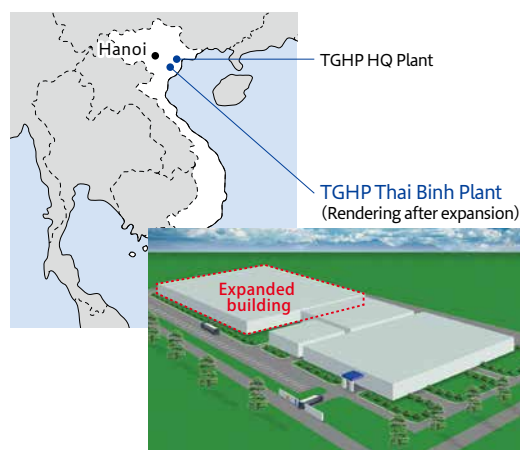
TOPICS

Enhancing production capacity for airbag parts in Vietnam

To meet the growing demand for airbags globally, we are increasing production capacity at the Thai Binh Plant of Toyoda Gosei Haiphong Co., Ltd. (TGHP). This is our second production subsidiary in Vietnam, which went into operation in July 2019. A new building will be constructed and annual production capacity in Vietnam of the bags that inflate on impact will be increased to 25 million bags by FY2023, about 1.5 times the FY2018 level. Investment for this plant expansion is estimated at about JPY1.8 billion.* The construction of the new building started in May 2020 and production will start from October 2021.

Airbags and other safety system products are a key business in Toyoda Gosei’s 2025 Business Plan, and by FY2023 we plan to increase global airbag production to 100 million units annually, approximately 1.6 times the level in FY2018.

*Calculated at \$1 = ¥109



Functional product business strategy

Functional components are another of the product areas where sales are growing in many geographic regions. These parts are also associated with safety, and so they require high quality. This makes the barriers to entry by other companies high. We believe that the rubber and plastics knowledge and the trust we have built up over many years can be used as

a weapon to expand sales globally. Market trends indicate that gasoline and hybrid vehicles will remain the main types of vehicle for the time being, and we believe that we can continue to increase sales by having our plastic fuel filler pipes and fuel valves, which contribute to weight reduction, used in a wider range of vehicle models. In addition, since

these products are already in the payback period, we can expect profitability to increase with increased sales.

Automobile powertrains will change in the future, but we believe we will be able to respond adequately to changes in the market by enhancing our lineup of products such as cooling pipes for electric batteries and hydrogen tanks for fuel cell vehicles. Cooling pipes in particular are a product with which we can utilize the materials and design (routing) technology that we have cultivated for the hoses used in gasoline engines and around fuel tanks. Moving ahead with sales while keeping initial investments down is also an advantage.

Sales growth items	Plastic fuel filler pipes/ Fuel valves	Cooling pipes	Hydrogen tank
Market trends	Gasoline, Diesel	HV, PHV	FCV
	HV, PHV	EV	
	Continuing major trend	True growth from 2022	True spread from 2025
Key regions	Americas, China	Japan, China	Japan, China
Product lifecycle	Collection period	Growth period	Introduction period

Interior and exterior product strategy (North America)

Among interior and exterior products, we will focus on large exterior products, one of the product groups with particularly high added value. Toyoda Gosei has advanced mold technology and decorative technology, such as plating and painting, and we will expand sales in North America of high value-added products that utilize these technologies.

In 2019, we established a new R&D and sales office near one of our customers to strengthen our sales network for this non-Toyota customer. In addition, we will continue to invest in major capacity increases at our main production locations to further enhance the advantages we have built up in North America.

We are enhancing the production capacity at three manufacturing subsidiaries in the United States to handle growth in sales of radiator grilles and other interior and exterior parts in North America. We will invest a total of USD60.3 million by the end of FY2021 to enlarge factory buildings and add molding machines, painting equipment and other equipment at Toyota Gosei Texas, TG Missouri, and TG Kentucky. With this investment, we plan to increase Group sales of interior and exterior products in North America to approximately 87 billion yen by FY2025, about 1.3 times the level in FY2018.

Pillar III: Innovative manufacturing at production sites

Manufacturing innovations that support strategy

In the past, we suffered large production losses with the launch of new models. Reflecting on this, over the last few years the entire Group has been working to develop manufacturing systems that do not generate loss. Recently, we have been focusing particularly on the use of IoT and big data. Loss reduction is achieved by identifying the cause of equipment stoppages with “visualization” of processes using IoT and elucidation of the mechanisms of failure by

analyzing collected big data. Information can be visualized by simply installing a relatively inexpensive device in existing processes. Thus, it can be applied to various products. Currently, we are implementing this approach on a priority basis to key strategic parts, such as inflators and plastic fuel filler pipes. In the future we will increase the impact by spreading it globally.

IoT standard tools

Andon*1 Process control board Automation of daily reports

The use of big data

Elucidation of defect mechanism Data analysis

Reduced loss from equipment stoppages

Product	FY2019	From FY2020
Inflator	Japan	Americas, China
Plastic FP*2	Japan	Americas, China
Painted products		Japan, Americas, China

Reduced loss from defects

Product	FY2019	From FY2020
Inflator	Japan	
Millimeter wave compatible emblems	Japan	
Weatherstrips		Japan, Americas

*1 Light displays for equipment operation status *2 Plastic fuel filler pipes

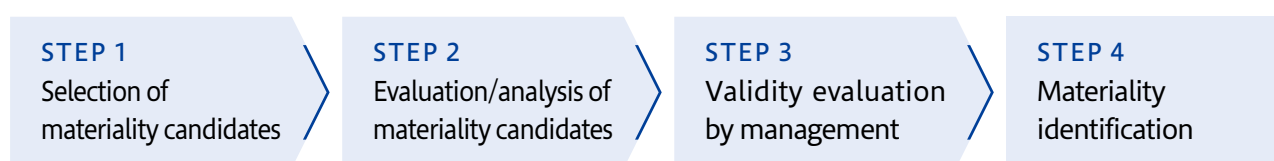
Sustainability SDGs and ESG









Review of materiality (key issues)

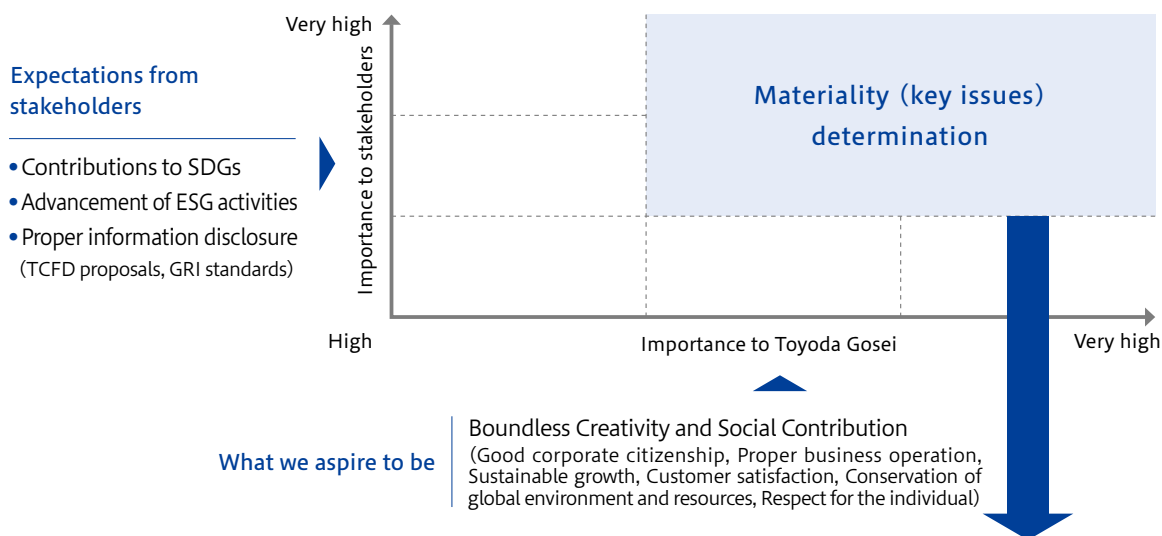
With the company creed of “Boundless creativity and social contribution,” we contribute to a sustainable society through company growth. For this purpose, we will take initiative in helping to solve the global issues indicated in the UN Sustainable Development Goals (SDGs; shared goals that the international community aims to achieve by 2030), and in the area of ESG (environmental, social and governance),

based on an appropriate governance system. We will meet the expectations of our stakeholders around the world, including customers, shareholders, investors, employees, and suppliers. In April 2020, we reviewed materiality based on growing interest in sustainability and narrowed our focus to the eight most important fields.

Materiality identification process



	Most crucial fields in SDGs	Materiality (key issues)
Business activities	 Good health and well-being	Bring about a safer and more comfortable mobility society by responding to the transformation of automobiles and reducing the number of traffic fatalities
	 Industry, innovation and infrastructure	Create new industries that utilize core technologies
	 Climate action	Build a decarbonized society by reducing emissions of CO ₂ and other greenhouse gases
	 Affordable and clean energy	
	 Responsible consumption and production	Build a recycling-based society by reducing waste and water risks
Management base	 Decent work and economic growth	Coexist with local communities by creating employment and contributing to society
	 Reduced inequalities	Promote diversification in employment, protect human rights
	 Peace, justice and strong institutions	Carry out thorough corporate governance and compliance as a company of integrity



Major efforts	Corresponding ESG areas
<ul style="list-style-type: none"> • Development of safety devices, such as airbag products for many different kinds of accidents • Development of simulation technology to create safety devices that correspond to various riding postures, from adults to children • Development of advanced safety technology for autonomous driving 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">E</div> <div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">S</div> </div>
<ul style="list-style-type: none"> • Development of mobility products that are compatible with CASE/MaaS • Development and commercialization of e-Rubber applications (tactile hands, heart surgery simulator, etc.) • Development and commercialization of GaN power devices; development of deep UV LED water purification units 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">E</div> <div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">S</div> </div>
<ul style="list-style-type: none"> • Development and mass production of high-pressure hydrogen tanks that are at the heart of fuel cell vehicles • Push for lighter weight products for higher fuel efficiency (lightweight panels, plastic fuel filler pipes, etc.) • Push for establishment and spread of innovative and energy-saving production techniques to achieve medium- and long-term CO₂ reduction targets • Revolutionary energy savings from higher productivity with the introduction of innovative technologies, daily <i>kaizen</i>, and IoT • Introduction of solar power generation and other renewable energy 	<div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">E</div>
<ul style="list-style-type: none"> • Push for waste reduction projects to minimize waste in production processes (effective use of weatherstrip scraps; search for ways to minimize scrap generated in plating processes) • Investigation of applications for rubber material recycling technology that uses rubber desulfurization and regeneration technologies • Push for product design that allows easy disassembly and product design and development with the use of environmentally-friendly materials • Push for <i>kaizen</i> and recycling for water usage loss by expert teams • Creation of products (eco bags, etc.) that use waste (airbag base fabric, leather, etc.) 	<div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">E</div>
<ul style="list-style-type: none"> • Business expansion and job creation in developing countries • Volunteer activities in cooperation with local governments and social welfare councils (companywide cleanups, community crime prevention, blood drives, on-site classes) • Push for activities for living with nature (woodland maintenance, plant afforestation, river and wetland preservation), under the slogan “Linking activities with water, the source of life” 	<div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">S</div>
<ul style="list-style-type: none"> • Reformation of the company atmosphere through efforts to raise the communication ability at work • Development of human resources for global management (education program for future management candidates) • Creation of mechanisms to promote career advancement in female employees, so that they feel value in work • Review of personnel systems to promote the activity of senior workers • Hiring of people with disabilities in all Group companies and creation of pleasant workplaces • Explanatory meetings and practical training for supervisors and leaders on harassment prevention 	<div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">S</div>
<ul style="list-style-type: none"> • Activities for thorough compliance and risk reduction centered on the Compliance and Risk Management Committee • Strengthening of ability to handle risk by preparing risk management guidelines • Formulation of and education with the Toyoda Gosei Guidelines for Business Ethics, our code of conduct for employees • Early detection and correction of misconduct by establishing legal violation/compliance consultation offices (inside and outside the company) 	<div style="border: 1px solid #ccc; padding: 5px; width: 30px; text-align: center;">G</div>

Governance <G>

Building and operating transparent management systems for thorough Group-wide compliance.



Masaki Oka Director, Corporate Officer,
Chief of Finance & Accounting Headquarters, Chief of Corporate Planning Division

The entire Toyoda Gosei Group is striving to enhance corporate governance so that we can continue as a company of integrity that is trusted by society. To build and maintain fair and transparent corporate governance systems, we are increasing the effectiveness of the monitoring and auditing of corporate management by outside directors and Audit & Supervisory Board members, while also installing internal control systems company-wide to ensure the propriety and efficiency of work. Through Group-wide compliance activities, we are pursuing thorough legal compliance and business ethics.

We are also identifying risks with the potential to have a huge impact on our operations, and implementing risk management activities to prevent future problems.

Corporate governance

Basic philosophy

We view the enhancement and strengthening of corporate governance with the aim of ensuring sound and efficient corporate management to be crucial in achieving sustainable growth. Based on this, we are building and maintaining fair and transparent management systems and organizational systems that can respond precisely to environmental changes.

Corporate governance system

Toyoda Gosei has adopted an audit and supervisory board system and set up the shareholders' meeting, Board of Directors, Audit & Supervisory Board, and accounting auditors as statutory entities. We have also put in place internal auditors and other internal control systems including internal audits.

The Board of Directors consists of nine directors and holds regular monthly meetings (extraordinary meetings held as needed), where matters prescribed by law or in the Articles of Incorporation and important matters related to corporate management are reported, discussed, and resolved.

A system of corporate officers is used to speed up decision-making and business execution. For important business matters, monthly management meetings are held. Functional meetings and committee meetings relevant to key areas such as technology, costs, and personnel are also held as needed for good management decisions.

The Audit & Supervisory Board consists of five members and holds regular meetings. Members also attend important meetings such as Board of Directors' meetings and audit each department and subsidiary, through which they fulfill their function of auditing corporate management.

Accounting auditors are external auditors who combine auditing functions with a commitment to ensuring an independent and fair auditing system. The company adopts the current system because audit, supervisory, and execution functions are well coordinated with each other under this

structure, with legality and efficiency of the company's decision-making and business execution sufficiently ensured. Additionally, Toyoda Gosei pursues consummate corporate governance by voluntarily implementing a range of policies in accord with the letter and spirit of the ideals and principles in Japan's Corporate Governance Code formulated by the Financial Services Agency and the Tokyo Stock Exchange.

Also, in order to strengthen the supervisory function of the Board of Directors and to increase the objectivity and transparency of the decision-making process, we have established an Executive Appointment Committee and Executive Compensation Committee under the Board of Directors as non-mandatory advisory committees, both of which are majority-independent and chaired by an outside director. The roles and membership of the two committees are as follows.

Name	Role	Members
Executive Appointment Committee	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members (Appointment of president, etc.)	Chairman Naoki Miyazaki, President Toru Koyama, Outside Director Sojiro Tsuchiya, Outside Director Kimio Yamaka (Chairperson), Outside Director Mayumi Matsumoto
Executive Compensation Committee	Deliberates and reports on the compensation system for directors and their individual compensation (Restricted stock-based compensation, etc.)	Chairman Naoki Miyazaki, President Toru Koyama, Outside Director Sojiro Tsuchiya, Outside Director Kimio Yamaka (Chairperson), Outside Director Mayumi Matsumoto

Internal control systems

In accordance with the provisions of Japan's Companies Act, Toyoda Gosei has formulated a Basic Policy on Establishing Internal Controls. Under this policy, we are striving to ensure appropriate operations by establishing internal control systems, which help us deliberate important matters,

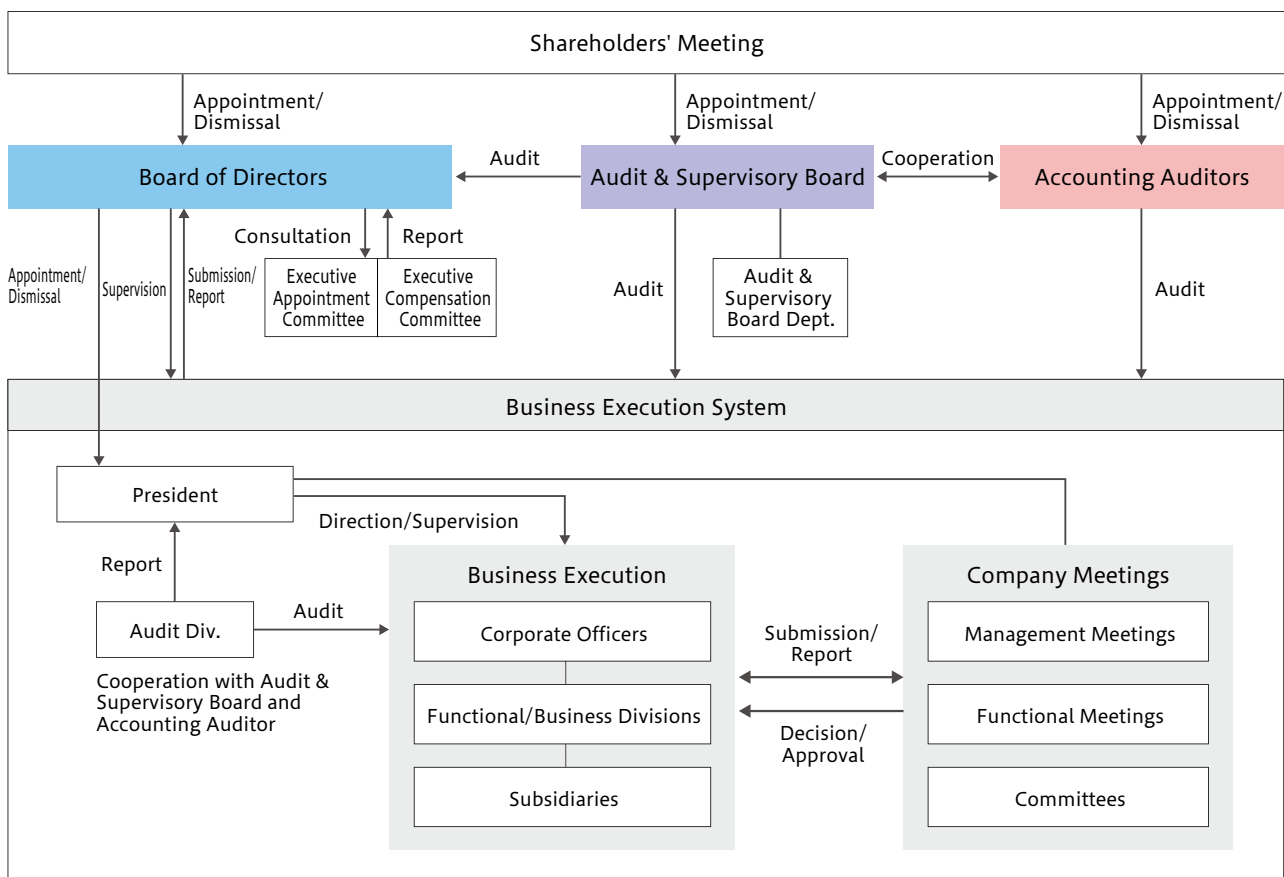
establish related rules and guidelines, and handle internal audits, compliance and risk management. Every year, the Board of Directors checks the status of establishment and operation of internal controls in an ongoing effort to improve and reinforce them.

Internal controls for the Toyoda Gosei Group

To cultivate a healthy internal control environment at Toyoda Gosei and its subsidiaries, all Group companies share its management philosophy. The Toyoda Gosei Group Charter for Business Ethics, a shared guideline for compliance, has also been instituted and expanded to subsidiaries. While respecting the independence of subsidiary management, we

receive regular business reports from subsidiaries and set up systems to confirm the propriety and legality of subsidiaries' businesses through advance approval reports. We also send non-executive directors and Audit & Supervisory Board members to key subsidiaries in a system to monitor and act as a check on their business execution.

Corporate governance system



Internal audits, Audit & Supervisory Board members' audits, and accounting audits

We have set up an Audit Division to handle internal audits. With the aims of achieving business objectives and preventing misconduct and mistakes, internal audits are conducted across the overall business (including audits of functional departments) based on an internal auditing plan approved by management at the beginning of each term.

The results of internal audits are reported to management, and audited departments are given recommendations for improvements based on the audit results. The effectiveness

of internal audits is increased by checking their improvement plans and results.

Each Audit & Supervisory Board member follows the auditing policy and audit plan established by the Audit & Supervisory Board when investigating the company and subsidiaries. They attend the meetings of important deliberative bodies and committees including the Board of Directors and management meetings, listen to reports on business from directors and others, inspect financial

statements and other important documents, and conduct on-site audits of offices and subsidiaries to audit the performance of duties by directors from the perspectives of ensuring legality and appropriateness, protecting assets and rights, and preventing loss. Moreover, a special department has been established to assist the auditors' audits.

The certified public accountants who performed the FY2019 accounting audit of Toyoda Gosei are Eiichi Yamanaka and

Tomohiro Nishimura of PricewaterhouseCoopers Aarata LLC.

Audit & Supervisory Board members, internal auditing department personnel, and accounting auditors regularly meet to confirm their respective auditing systems, auditing policy, auditing plans, implementation status, and audit results. They cooperate in performing efficient and effective audits, contacting each other as needed to exchange ideas and share information.

Director (skills matrix)

Name	Position at Toyoda Gosei	Executive Appointment Committee	Executive Compensation Committee	Corporate management	Governance	Overseas operations	Manufacturing (production/quality management)	Technology	Sales	Finance	Personnel	Environment and energy
Naoki Miyazaki	Chairman	○	○	○	○	○				○	○	○
Toru Koyama	President	○	○	○	○	○	○	○		○	○	
Tomonobu Yamada	Executive Vice President			○	○	○			○			
Hiroshi Yasuda	Director			○	○	○	○	○				○
Masaki Oka	Director			○	○					○		
Takashi Ishikawa	Director				○		○	○				○
Sojiro Tsuchiya	Director Outside Independent	○	○	○	○	○	○	○			○	○
Kimio Yamaka	Director Outside Independent	◎	◎		○					○	○	○
Mayumi Matsumoto	Director Outside Independent	○	○		○						○	○

Note: "◎" denotes the committee chairperson.

Expected roles of and support for outside directors

All three outside directors possess a wealth of experience and keen insight.

Mr. Tsuchiya's experience and expertise lie in global strategy and production engineering; Mr. Yamaka's, in finance and the environment; Ms. Matsumoto's, in the environment and SDGs. Ms. Matsumoto is Toyoda Gosei's first woman director.

The three adeptly fulfill monitoring and advisory roles in addition to actively participating in Board discussions.

In their monitoring role, they receive support in the form of departmental briefings on business operations and challenges and direct access to front-line operations through

on-site-visits to domestic and overseas subsidiaries to better understand the actual state of operations. Additionally, they are briefed in advance on the content and background of resolutions to be voted on at Board meetings to facilitate sound decision-making.

At the same time, the outside directors advise management on company direction and business challenges. Advisory opportunities include regularly scheduled liaison meetings attended by all outside directors and outside Audit & Supervisory Board members, each of whom attends various other meetings also, including Sales Meetings and ad hoc meetings.

Continued on page 35

Interview with outside directors



Sojiro Tsuchiya

Career summary

Toyoda Gosei director since June 2015
Formerly executive vice president of
Denso Corporation

Mayumi Matsumoto

Career summary

Toyoda Gosei director since June 2019
Visiting Associate Professor, Special
Division of Environmental and Energy
Science, Komaba Organization for
Educational Excellence (KOMEX), The
University of Tokyo (current)

Kimio Yamaka

Career summary

Toyoda Gosei director since June 2016
Director, Energy Strategy Institute Co.,
Ltd. (current)

Outside directors' roles

Tsuchiya: To ensure transparent Board decision-making, I place priority on providing objective advice based on my knowledge and experience. Having worked for another manufacturer like Toyoda Gosei, I am communicating with front-line personnel as much as possible and offering context-specific advice from an outsiders' perspective to help them to properly fulfill their roles.

Yamaka: I am committed to unreservedly expressing opinions from stakeholders' standpoint to fulfill my role of monitoring and advising management so they can benefit from my expertise and experience.

Matsumoto: Since first becoming a director, I have focused primarily on the monitoring function in light of the company's circumstances and investors' needs. With outside directors assuming increasingly important responsibilities, I actively question whatever I find questionable and speak out as an advocate for regular shareholders.

Progress in corporate governance

Tsuchiya: Since I joined the Board, Toyoda Gosei has made great strides in terms of corporate governance by virtue of growing societal interest in governance in addition to the company's efforts. I feel Toyoda Gosei stacks up well against other Japanese companies with respect to governance.

Yamaka: We are steadily upgrading our monitoring regime. I believe we are sensitively responding to the demands of the times. To function effectively, however, outside directors need a deeper understanding of the company's business activities. I would like to be briefed in even more detail than we are now.

Matsumoto: While Mr. Yamaka has been a director for four years, I joined the Board just last year. In contrast to four years ago, when outside directors reportedly had few opportunities to learn about the company, I have had numerous opportunities to do so, including through plant tours and studying about business activities before officially being appointed. Given the gravity of outside directors' responsibilities, I appreciate that Toyoda Gosei not only provides opportunities to learn but also promptly answers questions and responds to requests.

Board's effectiveness and shortcomings

Tsuchiya: I think very highly of the Board. Board meetings have a good atmosphere conducive to

candid discussions. I believe discussions among people with diverse experience and backgrounds are extremely important. It would be better to have broader discussions with input from more perspectives, including not only management and governance but also product technologies, production, quality, sales and service.



Yamaka: I feel we outside directors contribute to lively discussions because we mostly speak candidly. The Board often makes decisions on information-intensive matters under tight time constraints. I sometimes would like to be able to devote more time to discussion. Allocating discussion time among agenda items is a tough balancing act, but I wish the Board would put a bit more thought into doing so.

Matsumoto: As a newcomer, I initially had a hard time understanding what was being discussed at times. Management helped me to become an effective director by, for example, inviting me to Production Meetings and Sales Meetings so that I could learn about the company's medium- to long-term direction. I strive to arrive at optimal solutions by personally taking the initiative to learn what I need to know and clearing up any questions.

Toyoda Gosei's key management issues

Tsuchiya: We are said to be in a once-a-century period of monumental change. With autos also undergoing drastic change, what we produce is becoming increasingly important together with how we produce it. Technological capabilities are now more crucial than ever before. To reliably meet customers' needs and wishes, we must develop various new manufacturing

technologies even for decorative interior and exterior components, for example.

Information and electronic technologies are likewise becoming essential in the safety/security and autonomous driving domains. It is important for Toyota Gosei to create innovative new value by combining the LED technologies it has long been refining with materials technologies, another of its fortes. Identifying products and businesses that will drive Toyota Gosei's growth going forward and allocating management resources to them on a priority basis are currently two key management issues in my opinion.

Yamaka: Though many people in the company think good technology directly leads to sales increase, it is important to be cognizant of how to best embody technologies in products and how to generate profits from technologies. With the auto industry changing drastically, customer stability can no longer be taken for granted. In such an environment, I believe shifting to a mentality of self-reliance vis-à-vis generation of both ideas and profits is a key issue.

For example, Toyota Gosei has been lauded for its environmental initiatives. Environmentally friendly products not only generate stable profits, they also constitute a promising domain in which to create new businesses by leveraging existing technologies. A hydrogen society extending beyond FCVs will definitely be realized at some point and the inverter model of energy transmission/control will become mainstream.



Matsumoto: Technological development is the linchpin of Toyota Gosei's businesses. Given the necessity of developing products that are attuned to the needs of the times and address societal challenges, it is important

to put products out into the world on a pilot basis from an early stage. Short-term risks should definitely be taken in pursuit of growth, but needless risks must be controlled. I believe greater risk-sensitivity is needed. Over the medium to long term, I think Toyota Gosei should engage in dialogue with not only existing partners but also young digital natives that will form the nucleus of the next generation to learn more about what kind of cars they are seeking and what kind of society they want to live in, as well as needs and vehicle features in the autonomous driving era. Such information should be utilized in product development.

Tsuchiya: I am glad we decided to divest German subsidiary TG Meteor. The move largely resolved a big problem. It was a big decision for the company and a lot of hard work but, thankfully, the deal closed successfully. On the whole, the interior and exterior components business and safety systems business, particularly airbag-related products and millimeter wave compatible emblems, are growing steadily and expected to continue to grow. The rubber components business is not doing so well, but it is Toyota Gosei's original business and its products are essential automotive components. It must somehow be turned around into an attractive business again. Morimachi Plant personnel are currently working together to steadily improve operations and develop technologies. I am confident their efforts will produce impressive results in the near future.

Amid the current pandemic, I am a bit concerned about the company's global production network. Labor-intensive production processes like sewing airbags and wrapping steering wheels in leather are concentrated in countries like Vietnam from the standpoint of both labor availability and labor costs. We have to think about not only the current pandemic but also abnormal weather events such as floods, which have been increasing in severity in recent years, and natural disasters such as earthquakes, tsunamis and wildfires in addition to other risks such as labor disputes. While geographic concentration of certain operations undeniably has major efficiency benefits, I see the pandemic as a reminder that we need to think about how to balance such benefits against the risks of overconcentration.

Yamaka: With Toyota Gosei supplying a wide range of products globally, the words "One Team, One TG" resonates with me more deeply with each passing year. Despite the expectations placed on the company, setbacks sporadically occur due to what I consider to be company-wide communication deficiencies. I believe it is crucial to have a mindset of working together and generating profits in unity, irrespective of their business domains, positions or roles.

Branching into new domains, including not only the CASE space but also non-automotive businesses, will also be important. In automotive businesses, we basically aim to recoup investments over five-year intervals. In other sectors, however, our approach differs by sector. I feel that Toyoda Gosei has plenty of human resources capable of adapting to new environments. For example, the environment and energy staff have grown tremendously over the past four years to the point where I now sometimes learn from them.

Advancement of production engineering

Tsuchiya: Production engineering is on a good trajectory but it does not exist in a vacuum. It is one component of manufacturing. Its full power is unleashed only when it is integrated into the process from development and design through production and sales. If a production plant is thrown out of kilter by the introduction of an incompatible product or process, the incompatibility will lead to quality and profitability problems. Manufacturing entails not only production engineering and a production site but also coordination and cooperation among the manufacturer's entire workforce. Production engineering's role includes coordinating all activities central to manufacturing.

I believe Toyoda Gosei's production engineering program has been getting stronger and making steady progress in various improvement activities and new development projects. It is important to have a strategy for extending the program globally and on a Group-wide basis to allow it to directly contribute even more to improving competitiveness and profitability.

Comments as chairperson of executive appointment and executive compensation committees

Yamaka: I feel the magnitude of my responsibility as committee chairperson, a critical role related to the company's management. I aim to make sure committee members can engage in candid discussions from an outsider's vantage point at meetings. To ensure impartial, independent and appropriate decisions, I plan to provide opportunities to communicate with a wide range of individuals and promote understanding of policies.

SDGs and ESG activities

Matsumoto: Because Toyoda Gosei's SDGs are grouped together, I was initially unsure how they translate into

action. This year, I did a materiality reassessment, which was a big step forward in the space of one year. I value the opportunity to personally educate employees at workshops and other places on SDGs that enable them to individually contribute to society while doing their jobs.

Tsuchiya: As members of society, companies are naturally obliged to take ESG seriously. Both commitment and technology are essential to realizing ESG objectives. I believe Toyoda Gosei can greatly contribute technologically given its wide-ranging technological capabilities.

Yamaka: In terms of the environment, one of the pillars of ESG, Toyoda Gosei has been discussing methodologies and progressing toward long-term targets with deadlines of 2030 and 2050. Rapid advancements in energy efficiency and renewable energy are heavily influencing its new product and new technology strategies also. I expect such a comprehensive strategy to help drive growth for "environmentally friendly TG."

Diversity

Matsumoto: Given the nature of Toyoda Gosei's business as an auto parts manufacturer, most of its workplaces are staffed with more men than women, but it is consciously hiring more women. In terms of diversification of work styles, telecommuting, which was previously limited, has expanded throughout the company in response to the COVID-19 pandemic. Even after the pandemic ends, I hope the company continues to allow telecommuting as a means of increasing employee retention.



Continued from page 30

Changes in numbers of directors and Audit & Supervisory Board members

In 2012, Toyoda Gosei adopted a system of corporate officers and downsized its Board of Directors to eight directors from 23 as of 2011. It appointed its first outside director in 2015.

The Board currently comprises nine directors, three or one-third of whom are outside directors. One of the outside directors is a woman. The outside director appointments have increased the Board's objectivity and diversity.

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total directors	23	8	7	7	8	9	10	9	9
Outside directors (% of total)	0 (—)	0 (—)	0 (—)	0 (—)	1 (12%)	2 (22%)	2 (20%)	2 (22%)	3 (33%)
Female (% of total)	0 (—)	0 (—)	0 (—)	0 (—)	0 (—)	0 (—)	0 (—)	0 (—)	1 (11%)
Audit & Supervisory Board members	5	5	5	5	5	5	5	5	5
Outside Audit & Supervisory Board members	2	3	3	3	3	3	3	3	3

Outside directors and outside Audit & Supervisory Board members

Toyoda Gosei appointed three outside directors, Sojiro Tsuchiya, Kimio Yamaka, and Mayumi Matsumoto, at its annual shareholders' meeting on June 12, 2020. Chika Kako was also appointed as an outside Audit & Supervisory Board

member. Together with current outside Audit & Supervisory Board members Hideomi Miyake and Masami Hadama, a total of three outside Audit & Supervisory Board members have now been appointed.

Election of outside directors and outside Audit & Supervisory Board members

Appointment	Name	Independent director	Reason for appointment
Outside directors	Sojiro Tsuchiya	○	To reflect in Toyoda Gosei's management his wealth of experience and keen insight gained from his career at Denso Corporation, where he served mainly in production engineering roles and was involved in management as a director. Mr. Tsuchiya has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Kimio Yamaka	○	To reflect in Toyoda Gosei's management his wealth of experience and keen insight gained from a career spent in public-sector finance and project review and the environmental/energy field. Mr. Yamaka has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Mayumi Matsumoto	○	To reflect her extensive experience and high-level insight as a news anchor and researcher in the broad fields of social issues, environment and energy in the management of Toyoda Gosei. Ms. Matsumoto has been designated as an independent director because she meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
Outside Audit & Supervisory Board members	Chika Kako		To reflect in Toyoda Gosei's audits her wealth of experience and keen insight gained from her career at Toyota Motor Corporation, where she served mainly in vehicle development and materials development roles and was involved in management as a managing officer.
	Masami Hadama	○	To reflect his extensive experience and deep insight in law in the auditing of Toyoda Gosei. Mr. Hadama has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Hideomi Miyake	○	To reflect his extensive experience and deep insight as a corporate manager in the auditing of Toyoda Gosei. Mr. Miyake has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.

Ensuring the effectiveness of the Board of Directors

At Toyoda Gosei, the Board of Directors Office conducts annual interviews of all directors and Audit & Supervisory Board members, including outside ones, on the effectiveness of the Board of Directors. The roles and responsibilities of the Board of Directors, the level of discussions, opportunities to improve effectiveness and other matters are assessed from multiple perspectives and the results are reported to the Board of Directors. In FY2019, the Board was rated highly on a number of points, including appropriateness of matters

submitted/reported on at Board meetings and sharing of information with outside directors in addition to its composition and welcoming attitude toward candid discussion, both of which were ranked highly in FY2018 also. The assessment accordingly concluded that the Board's effectiveness increased in FY2019. At the same time, the Board still has room for improvement in certain areas. It will explore ways to further increase its effectiveness and improve on an ongoing basis.

Highly rated board attributes

- Board's size, composition and balance between executive and outside directors
- Atmosphere conducive to lively discussions
- Limited meeting agendas that allow for ample discussion of important matters to be submitted
- Support for outside directors, including access to information needed for Board deliberations

Needed improvements

- Clearer identification of medium- to long-term issues that should be addressed and more discussion of strategies for addressing them
- Faster response to urgent issues
- Easier-to-understand materials for Board meetings (reason for inclusion on agenda, big-picture view, relationship with business strategy, etc.)
- More opportunities outside of Board meetings for discussion, information sharing, etc. between outside and executive directors

Executive compensation

Executive compensation consists of fixed monthly compensation and performance-based compensation in accord with the idea that executives should be appropriately incentivized to pursue sustained growth in shareholder value. The performance-based compensation consists of cash bonuses (short-term incentive) and stock-based compensation (long-term incentive). The fixed monthly compensation is set at a level that reflects the individual's job responsibilities and experience as well as compensation norms at other companies. Its base amount accounts for some 70% of total compensation, with cash bonuses (short-term incentive) and stock-based compensation (long-term incentive) respectively accounting for roughly 20% and 10%.

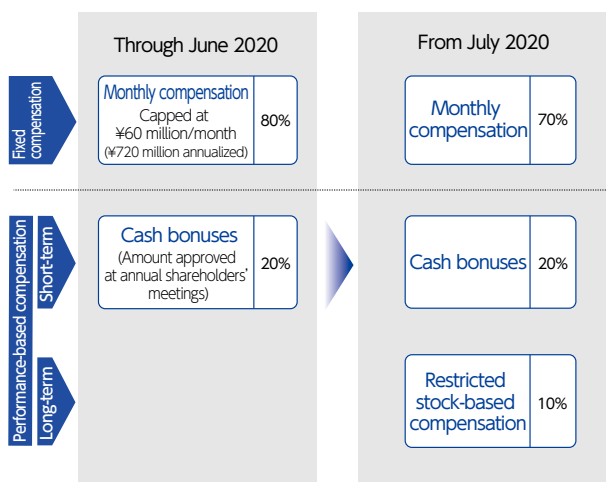
Outside directors and Audit & Supervisory Board members receive only fixed monthly compensation because their role is to oversee and monitor management from an independent vantage point.

Executives' cash bonuses are based on consolidated earnings for the period in question in addition to a number of other factors, including dividends, employees' bonus level, other companies' executive bonuses, medium- to long-term operating performance and previous bonus payment amounts.

Stock-based compensation is intended to as an incentive to pursue sustained growth in Toyoda Gosei's value. It is paid in the form of restricted stock to promote greater sharing of value with shareholders.

Directors' aggregate annual cash compensation (monthly compensation plus bonuses) is capped at ¥650 million (outside directors' share of which is capped at ¥65 million). Directors' aggregate annual restricted stock-based compensation is capped at ¥100 million (outside directors are not eligible for restricted stock-based compensation).

Director compensation scheme



Officer compensation

The total compensation for each officer class, the total by each type of compensation, and the number of officers receiving the compensation

Officer class	Total executive compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)		Number of subject officers (People)
		Monthly compensation	Bonuses	
Directors (excluding outside directors)	355	282	73	7
Audit & Supervisory Board members (excluding outside members)	76	76	—	2
Outside officers	67	67	—	6

Note: Bonuses are the provision of allowance in the given fiscal year.



All three compensation caps were approved at the annual shareholders' meeting on June 12, 2020.

Based on the methods mentioned above, the Board of Directors votes to set compensation within the limits set

Communication with shareholders and investors

For constructive dialogue with shareholders and investors, we have established a system for conducting such dialogue in a coordinated manner, planning opportunities and sharing necessary information.

This dialogue is carried out through financial results briefings or small meetings for institutional investors with explanations by the company's president or relevant officer; plant tours for institutional investors with explanations by the officer in charge; direct visits by the officer and persons in charge of IR and SR to institutional investors; and other means. Based on the opinions and desires of shareholders and investors obtained, further opportunities for dialogue are being enhanced.

In compliance with fair disclosure rules, Toyoda Gosei restricts dialogue with shareholders and investors and thoroughly controls information in the company during a

silent period before earnings reports are released. If insider information emerges in the company, it is tightly controlled as part of thorough information management.

Main IR activities

Targeted persons	IR activities
Domestic institutional investors (including securities analysts)	Individual discussions, financial results briefings, facility tours, telephone conferences
Overseas institutional investors	Individual discussions, participation in IR events
Individual shareholders and investors	<ul style="list-style-type: none"> Briefings for individual investors Plant tours after annual shareholders' meeting Issuance of "Report on Business Results"

• Issuance of the "Toyoda Gosei Report"
 • Dissemination of financial information and IR materials on the website

Risk management

Basic philosophy

We are working to prevent risks that could have grave consequences for management and to minimize damage in adverse events. For these purposes, we identify risks in each function and make decisions on how to respond in the Compliance and Risk Management Committee and general meetings. A Compliance and Risk Management Committee headed by the company president identifies key risks, determines measures to counter them, and checks on the progress in executing these measures. In this way, we make these measures more effective.

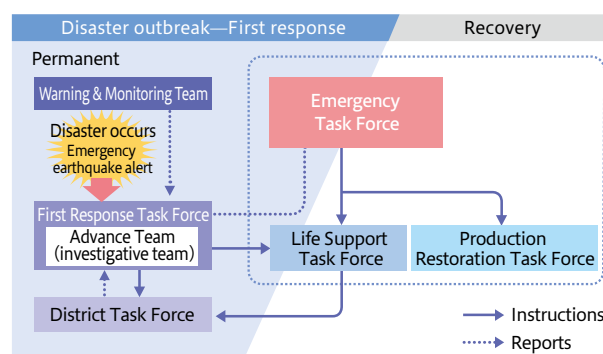
For each type of risk in safety, quality, and the environment, the departments in charge have established regulations and key points and conduct proper business management, such as implementing measures as needed based on assessments of operational status.

Crisis Management Project in anticipation of large-scale earthquake disasters

We have put into place a crisis management system for the event of a massive disaster, such as the predicted Nankai Trough earthquake or natural disasters due to climate change. This system is based on the principles of human life first, community support, and early recovery. Specifically, in addition to infrastructure and system measures based on the project, we have conducted resilience training more than 120 times for directors and members of anti-disaster departments since FY2013. These efforts are based on our belief that improving the skills of response personnel is essential. We have also established specific procedures for the recovery of affected buildings, facilities, and processes and for alternative production in a production recovery system.

Moreover, Risk Management and Response Guidelines have been established. These guidelines show the behaviors to adopt to prevent potential risks and to respond to problems appropriately and quickly. At the beginning of 2020, an emergency response task force led by the company president was set up to deal with the novel coronavirus. Actions taken to minimize the impact of the novel coronavirus included (1) preventing infections by having people work from home and cancelling company internal events, (2) implementing measures for the event that an infection occurred in an employee, (3) maintaining our production network by monitoring issues, including at our suppliers, and (4) introducing profit improvement measures.

Disaster response



Recovery training for design drawings and other data is also carried out so that product development can be continued even after disasters. In addition, workshops to strengthen crisis management not only in our own companies but also at affiliates and suppliers are conducted regularly. Assessments using anti-earthquake measures implementation status check sheets, clarification of weak points with graphs, introduction of responses taken at Toyoda Gosei and other companies, and cooperative preparation of business continuation plans (BCP) are carried out.

Efforts to date

Classification	Measures
Facility and equipment measures	<ul style="list-style-type: none"> • Earthquake resistance measures for buildings and facilities • Establishment of a disaster prevention center to serve as an operations base for the entire company for anti-disaster department operations • Equipping all locations with a multi-channel access radio system (which is used in Japan for various purposes, from daily work to emergency and disaster situations) and satellite phones • Installation of a crisis management server (earthquake-resistant structure) and emergency power generators • Operation of a disaster recovery system for restoration of damaged systems and data centers (special facilities equipped with and operating computers, data communications, and other devices)
System measures	<ul style="list-style-type: none"> • Introduction of site and building safety decisions • Maintenance of supply chain information • Teleconference system for multiple locations using tablet computers • Earthquake bulletin and employee safety information system training • Employee safety follow-up system incorporating arrival and departure times at company and business trip data • Preparation of a BCP

Strengthening information security measures and raising awareness

To strengthen the control of confidential information, annual checks of the compliance status of each division based on company confidentiality management regulations are conducted together with onsite audits. Self-inspections are also done at Group companies in Japan and overseas business

bases. Confidentiality officers are assigned in all departments, and confidentiality education activities are conducted based on information system security operating standards and a confidential information management manual. Security control education is also conducted for new employees.

Enhanced measures

Classification	Measures
Prevention of leaks from negligence	<p>Tangible measures</p> <ul style="list-style-type: none"> • Printing restrictions with ID card authentication on multifunction machines and dedicated drawing printers
	<p>Intangible measures</p> <ul style="list-style-type: none"> • Data encryption of all PCs • Security measures when sending emails out of the Company (mandatory cc to superiors, encryption of attached files)
Prevention of malicious unauthorized leaks	<p>Tangible measures</p> <ul style="list-style-type: none"> • Increased surveillance cameras • Installation of wire locks to prevent PC theft • Restrictions on writing onto external storage media
	<p>Intangible measures</p> <ul style="list-style-type: none"> • Confidentiality pledge • Stricter applications for taking items from premises • Restricted file server access • System use records and access log records monitoring • Strengthened hacking prevention measures (Internet) • Prevention of unauthorized connection of terminals brought in from outside
Educational activities (ethics)	<ul style="list-style-type: none"> • New employee education • Company-wide security control voluntary inspections using check sheets • On-site checks of each department • Training in responding to targeted attack emails

Compliance

Basic philosophy

Toyoda Gosei’s management philosophy states, “We promote business operations with integrity through the establishment of a system founded on thorough compliance and corporate ethics.” We strive for thorough compliance in all areas based on this philosophy.

The Toyoda Gosei Group Charter for Business Ethics sets forth shared values and behavioral standards for the entire

Toyoda Gosei Group worldwide, and Group companies in Japan and other countries formulate their own behavioral guidelines based on the Charter. Toyoda Gosei Co., Ltd. has also established the Toyoda Gosei Guidelines for Business Ethics, which it expects every employee to follow, and has worked to familiarize all employees with these guidelines.

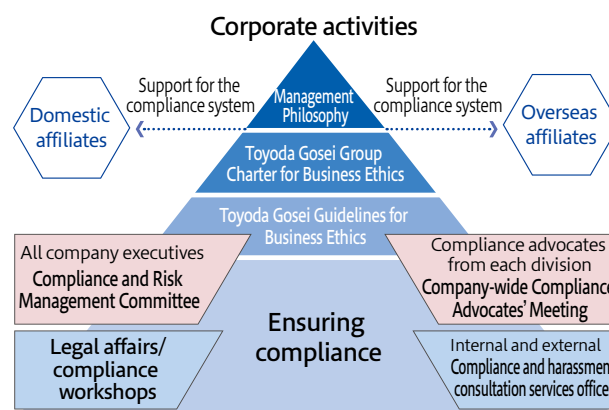


Compliance system

Toyoda Gosei has established the Compliance and Risk Management Committee with the Company's president serving as chairman and all company officers as members. Together with compliance advocates in each division, the committee works for thorough compliance with a unified approach between management and the workplace.

In Japan, regular compliance liaison conferences are held with Group companies. Group companies in other countries have established compliance committees, appointed compliance advocates, or set up other compliance systems suited to the circumstances in their region and company. Compliance activities are carried out in coordination with Toyoda Gosei.

Compliance



Specific efforts

• Compliance consultation office

To identify and resolve compliance problems at an early stage, Toyoda Gosei has established internal and external compliance consultation services offices and an internal harassment consultation office.

Group companies in Japan have their own consultation

offices, in addition to which they have established a joint external compliance consultation office together with Toyoda Gosei. Group companies in other countries have established external or internal consultation offices.

• Compliance activity checks and *kaizen*

Toyoda Gosei conducts compliance entrenchment questionnaires of all employees each year to confirm penetration of compliance transparency and whether there are signs of violations. *Kaizen* activities are then conducted based on the results.

For Group companies in Japan and other countries, a

voluntary check sheet is used to check their basic policy and systems for compliance, the status of compliance with important laws including anti-trust laws and bribery and corruption laws, and risks in key areas such as human resources, finance, sales, procurement, safety, and quality. Based on the results, *kaizen* activities are conducted.

• Efforts to prevent violations of anti-trust laws

Toyoda Gosei has prepared guidelines for Japan and key regions where Group companies are located (United States, EU, China, Thailand, India, Brazil, and others), and is undertaking efforts globally to prevent anti-competitive acts at Toyoda Gosei Group companies.

Specific behavioral guidelines that Toyoda Gosei expects employees to follow in various business activities,

especially sales activities, are embodied in the Codes of Conduct for Antitrust Law Compliance in the Company's internal regulations, and thorough compliance is expected of employees.

Continuing education activities are also conducted through special training in competition laws and regular compliance training for each level within the Company.

• Anti-bribery efforts

Toyoda Gosei has formulated Global Anti-Bribery Guidelines as a common guide to conducting transparent and sound business activities globally, and is doing its utmost to prevent bribery and corruption at all Toyoda Gosei Group companies. Education activities are continuously conducted for employees through training for each level and risk.



Compliance training (international Group company)

Management members (As of June 12, 2020)



Naoki Miyazaki
Chairman

- 1980 Joined Toyota Motor Company
- 2008 Managing Officer, Toyota Motor Corp.
- 2013 Senior Managing Officer, Toyota Motor Corp.
- 2014 Adviser, Toyoda Gosei; Executive Vice President, Toyoda Gosei
- 2015 President, Toyoda Gosei
- 2020 Chairman, Toyoda Gosei (current)



Toru Koyama
President

- 1982 Joined Toyoda Gosei
- 2005 General Manager of Development Division, Safety Systems Business Unit, Toyoda Gosei
- 2012 Corporate Officer, Toyoda Gosei; President, Toyoda Gosei North America Corp.
- 2015 Managing Officer, Toyoda Gosei
- 2016 In charge of Corporate Planning Division, Toyoda Gosei; Director, Managing Officer Toyoda Gosei; Chief of Purchasing Headquarters, Toyoda Gosei
- 2018 Director, Senior Managing Officer, Toyoda Gosei
- 2019 Executive Vice President, Toyoda Gosei; Chief of Corporate Planning Division, Toyoda Gosei
- 2020 President, Toyoda Gosei (current)



Tomonobu Yamada
Executive Vice President

- 1981 Joined Toyoda Gosei
- 2007 General Manager of Sales Division 1, Toyoda Gosei
- 2010 Director, Toyoda Gosei
- 2012 Corporate Officer, Toyoda Gosei
- 2014 Managing Officer, Toyoda Gosei; Chief of Sales Headquarters, Toyoda Gosei (current)
- 2016 Director, Managing Officer, Toyoda Gosei; President, Toyoda Gosei (Shanghai) Co., Ltd. (current)
- 2017 Director, Senior Managing Officer, Toyoda Gosei; Adviser to General Industry Products Division, Toyoda Gosei
- 2019 Director, Corporate Officer; Chief of General Industry Products Division, Toyoda Gosei
- 2020 Executive Vice President, Toyoda Gosei (current); Chief of Audit Division, Toyoda Gosei; Adviser to General Industry Products Business Headquarters (current)



Hiroshi Yasuda
Director, Corporate Officer

- 1982 Joined Toyoda Gosei
- 2006 General Manager of Planning Division, Safety Systems Business Unit, Toyoda Gosei
- 2010 President, Toyoda Gosei Czech, s.r.o.
- 2012 Corporate Officer, Toyoda Gosei
- 2016 Director, Managing Officer, Toyoda Gosei; Chief of Production Headquarters, Toyoda Gosei (current); Chief of Plastic Parts Production Center, Toyoda Gosei; President, Tianjin Toyoda Gosei Co., Ltd.
- 2017 Adviser to Quality Assurance Headquarters, Toyoda Gosei
- 2018 Director, Senior Managing Officer, Toyoda Gosei
- 2019 Director, Corporate Officer, Toyoda Gosei (current); Chief of Safety & Health Promotion Division, Environment Division, Toyoda Gosei (current)



Masaki Oka
Director, Corporate Officer

- 1985 Joined Toyota Motor Corp.
- 2012 Project Senior Manager, Finance & Accounting Division, Toyota Motor Corp.
- 2014 General Manager of Related Business Department, Toyota Motor Corp.
- 2015 Adviser, Toyoda Gosei; Corporate Officer, Toyoda Gosei; General Manager of Finance & Accounting Division, Toyoda Gosei; in charge of IT Planning Division, Toyoda Gosei
- 2016 Deputy Chief of Finance & Accounting Headquarters, Toyoda Gosei; in charge of Audit Division, Toyoda Gosei
- 2017 Chief of Finance & Accounting Headquarters, Toyoda Gosei (current)
- 2018 Director, Managing Officer, Toyoda Gosei; Chief of IT Headquarters, Toyoda Gosei
- 2019 Director, Corporate Officer, Toyoda Gosei (current); Chief of Audit Division, Toyoda Gosei
- 2020 Chief of Corporate Planning Division, Toyoda Gosei (current)



Takashi Ishikawa
Director, Corporate Officer

- 1985 Joined Toyota Motor Corp.
- 2008 General Manager of Upper Body Engineering Division 2, Toyota Motor Corp.
- 2013 Adviser, Toyoda Gosei; Corporate Officer, Toyoda Gosei
- 2016 Managing Officer, Toyoda Gosei
- 2019 Corporate Officer, Toyoda Gosei
- 2020 Director, Corporate Officer, Toyoda Gosei (current); Chief of Research and Development Headquarters (current)



Sojiro Tsuchiya
Outside Director

- 1975 Joined Nippondenso Co., Ltd.
- 2002 Director, Denso Corp.
- 2004 Managing Officer, Denso Corp.
- 2007 Senior Managing Director, Denso Corp.
- 2011 Executive Vice President, Denso Corp.
- 2013 Advising Executive Engineer, Denso Corp.
- 2015 Director, Toyoda Gosei (current); Adviser, Denso Corp (retired June 2016)



Kimio Yamaka
Outside Director

- 1980 Joined Japan Development Bank
- 2007 Deputy Director-General, Development Bank of Japan
- 2009 Director of the Energy Strategy Institute Co., Ltd. (current)
- 2012 General Advisor on Energy Policy for Yamagata Pref. (current)
- 2014 Project Professor, Graduate School of Economics, Kyoto University (current)
- 2016 Director, Toyoda Gosei (current)



Mayumi Matsumoto
Outside Director

- 1987 Contract newscaster, TV Asahi Corporation
- 1993 Contract newscaster, Japan Broadcasting Corporation
- 2003 Freelance announcer, Horipro Inc.
- 2008 Collaborative Researcher, Research Center for Advanced Science and Technology, The University of Tokyo
- 2009 Project Researcher, same as above
- 2011 Director, principal researcher, International Environment and Economy Institute (current)
- 2014 Visiting Associate Professor, Special Division of Environmental and Energy Science, Komaba Organization for Educational Excellence (KOMEX), The University of Tokyo (current)
- 2017 Director, Japan Council for Renewable Energy (current)
- 2019 Director, Toyoda Gosei (current)



Katsumi Tanabe
Audit & Supervisory Board Member

- 1981 Joined Toyota Motor Sales Co., Ltd.
- 2006 General Manager, European Business Dept., Toyota Motor Corp.
- 2012 Project Senior Manager, TME Japan, Toyota Motor Corp.
- 2013 Adviser, Toyoda Gosei; Corporate Officer, Toyoda Gosei
- 2017 Full-Time Audit & Supervisory Board Member, Toyoda Gosei (current)



Kenji Oiso
Audit & Supervisory Board Member

- 1980 Joined Sumitomo Metal Industries, Ltd.
- 2002 Deputy Manager, Finance & Accounting Div., Sumitomo Metal Ind., Ltd.
- 2004 Joined Mitsubishi Sumitomo Silicon, Co., Ltd.
- 2006 General Manager, Finance & Accounting Division, SUMCO Corp.
- 2011 Corporate Officer, SUMCO Corp.
- 2014 Functional Officer, Yokogawa Sumikin Bridge Corp.
- 2016 Joined Mirai Co., Ltd. General Manager, Finance & Accounting Division, Mirai Co., Ltd.
- 2017 Project General Manager, Finance & Accounting Division, Toyoda Gosei
- 2019 Managing Director, Toyoda Gosei Corporate Pension Fund
- 2020 Full-Time Audit & Supervisory Board Member, Toyoda Gosei (current)



Chika Kako
Outside Audit & Supervisory Board Member

- 1989 Joined Toyota Motor Corp.
- 2015 Chief Engineer, Lexus International ZL, Toyota Motor Corp.
- 2018 Managing Officer, Toyota Motor Corp.
- 2019 Field General Manager, Material Technology Field, Materials Advanced R&D and Engineering Company, Toyota Motor Corp.
- 2020 Senior General Manager, Material Technology Field, Advanced R&D and Engineering Company, Toyota Motor Corp. (current); Audit & Supervisory Board Member, Toyoda Gosei (current)



Masami Hadama
Outside Audit & Supervisory Board Member

- 1993 Public Prosecutor
- 2006 Public Prosecutor, Special Investigation Dept., Tokyo District Public Prosecutors Office
- 2007 Registered lawyer, partner at TMI Associates (current)
- 2008 Professor, Sophia University Graduate School of Law
- 2012 Representative, TMI Partners
- 2014 Audit & Supervisory Board Member, Toyoda Gosei (current)



Hideomi Miyake
Outside Audit & Supervisory Board Member

- 1968 Joined Toyoda Iron Works Co., Ltd.
- 1993 Director, Toyoda Iron Works Co., Ltd.
- 1999 Managing Director, Toyoda Iron Works Co., Ltd.
- 2003 Senior Managing Director, Toyoda Iron Works Co., Ltd.
- 2005 President, Toyoda Iron Works Co., Ltd.
- 2011 Chairman, Toyoda Iron Works Co., Ltd.
- 2015 Audit & Supervisory Board Member, Toyoda Gosei (current)
- 2016 Senior Adviser, Toyoda Iron Works Co., Ltd. (current)

Corporate Officers

Ryo Onishi
Yoshiyuki Fujita
Junichiro Kako
Hiroki Fukui
Todd Huber
Hiroyasu Hirayama
Hiromasa Zaitsu
Yutaka Ogasawara

Environment <E>

We contribute to preservation of the earth's environment through all of our business activities to leave a greener, richer world for the future and our children.



Hiroshi Yasuda Director, Corporate Officer, Chief of Environment Division, Chief of Production Headquarters, Chief of Safety & Health Promotion Division

We obtain many resources from the earth—water, food and clothing as well as raw materials such as rubber, resin, and metal. At the same time, we inflict damage on the earth through the emission of greenhouse gases and depletion of resources as a result of overuse in our daily lives and business activities.

Based on the TG 2050 Environmental Challenge, our long-term environmental vision, we formulate action plans every five years to promote environmental protection. These plans have been highly regarded by external organizations, including in corporate rankings by newspapers. To conduct environmental management that meets the expectations of society, we disclose related information in agreement with the recent recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will continue our efforts to improve corporate culture and human resource development while striving to further strengthen sustainable environmental protection activities.

Basic philosophy

The Toyoda Gosei Group formulated its 1st Environmental Action Plan in 1993 based on its environmental policy, and since that time has been actively confronting environmental issues. In February 2016, we announced our TG 2050 Environmental Challenge, which lays out our long-term goals, and formulated our 6th Environmental Action Plan, which establishes our action items and goals for the five years until 2020. These documents will guide our environmental

protection activities moving forward.

To carry out environmental management that meets the expectations of society, we have established environmental operations in the Americas, China, and Asia, and have put in place a global system for area management in these four global regions including Japan. The entire Toyoda Gosei Group will move ahead steadily with a view to 2030, the midpoint of our Environmental Challenge.

Environmental policy

1. Environmentally-friendly corporate activities

We are keenly aware that all stages of our business relate deeply to the environment, from development, production, and sales activities to end-of-life disposal. The Toyoda Gosei Group, including all internal departments, domestic and international affiliates, and suppliers, conducts all business activities with concern for the environment in cooperation and coordination with customers, government authorities, and others.

2. Good corporate citizenship

As a good corporate citizen, we participate in, support, and cooperate with environmental activities by many groups while also working on environmental activities in the community and broader society. We also provide education for all employees to support them in becoming involved in environmental activities as members of the community and society, and support social contributions and volunteerism.

3. While spreading information on these activities, we listen to the opinions of people at all levels of society and work to improve our activities wherever we can.

TG 2050 Environmental Challenge —A Greener, Richer World for Our Children

The Toyoda Gosei Group specializes in the field of high polymers—rubber and plastics. Our symbol is the benzene ring, a hexagonal hydrocarbon structure that is the starting point for polymers. Borrowing from the six sides of the benzene ring, the TG 2050 Environmental Challenge sets six challenges to strengthen our environmental efforts with a long-term view to the year 2050.

Support for TCFD recommendations

In May 2019, the Toyoda Gosei Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is actively disclosing relevant information together with measures to achieve a decarbonized society, as set forth in the TG 2050 Environmental Challenge (details are posted on our website). In April 2020, we announced our CO₂ emission targets for 2030 and are accelerating our efforts.





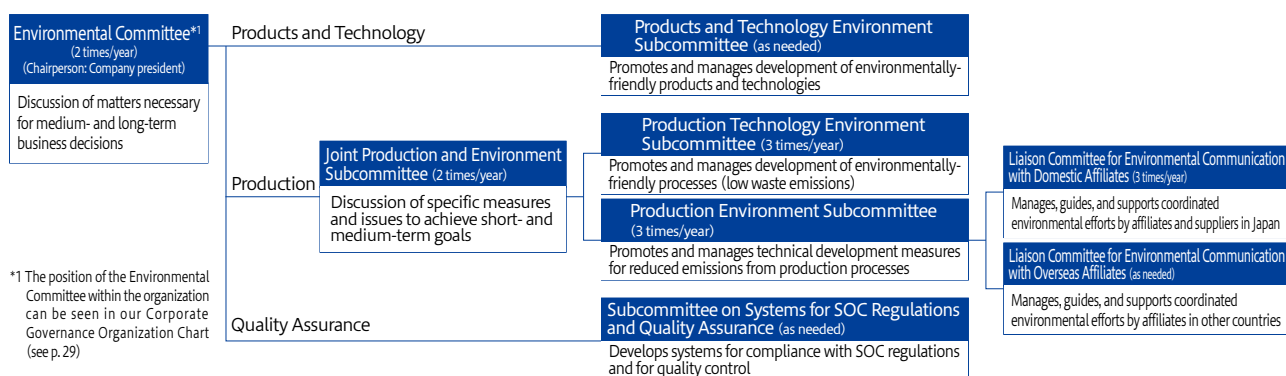
Environmental organization

Our medium- and long-term policy and key action items are discussed and decided in an Environmental Committee chaired by the company president. The Environmental Committee consists of four subcommittees in the areas of products, production, and quality. The subcommittees are further broken down into working groups that promote and manage areas such as reductions in energy use, waste products, and volatile organic compound (VOC) emissions, and preservation of the

environment. In this way, environmental preservation and management activities are conducted from an expert perspective.

Liaison committees have also been established to share information with related companies in Japan and abroad. Since 2019 we have been strengthening coordination between production technology and plant floor manufacturing (newly established Joint Production and Environment Subcommittee) to promote energy-saving activities.

Environmental organizational structure



Deployment from the Environmental Committee and subcommittees to plants and other operations is done with the establishment of expert committees in accordance with the ISO 14001 system at each plant.

Risk and opportunity associated with climate change and resource depletion

The risks and opportunities associated with climate change and resource depletion are recognized as an important management issue. We are working to strengthen our responses to the overall financial and social risks from the effects on economic and production activities of more drastic abnormal weather, changing precipitation patterns, droughts and floods, from a global perspective based on laws, regulations and trends.

	Risk	Opportunity
Climate change	Cost increases from carbon tax and soaring energy prices	Development of lighter weight, next-generation automotive parts, cost reductions from efficient energy use
Resource depletion	Effects of water shortages and floods on production activities Cost increases from difficulty in procuring materials, soaring material prices	Cost reductions from re-use and decreased use of water Cost reductions from recycling technology, use of fewer materials
Management (regulatory compliance)	Loss of trust in the company due to environmental problems, including legal violations, and insufficient efforts to protect the environment	Raise brand strength by enhancing environmental activities

Resource utilization and environmental emissions in business activities

To lessen the amount of energy, material and other resource inputs, and maximum product output, we are utilizing our skills in product development, process development and workplace

kaizen in efforts to improve through business activities.

The input resources we use include environmentally friendly materials and clean energy.

INPUT

Total material input 45,974t	Rubber (rubber sheet) 17,820t
Plastic 28,154t	Excluding purchased parts, metal and liquid
Total energy input 2,571,000Gj*2	Heavy oil 12,000Gj
Purchased electricity 1,240,000Gj	Kerosene 0Gj
Renewable energy 2.5Gj	LNG 126,000Gj
City gas 1,190,000Gj	Gasoline 1,000Gj
LPG 2,000Gj	
Water resource input 1,260,000m ³	Clean water 214,000m ³
Industrial water 696,000m ³	Underground water 350,000m ³
PRTR*3 substances usage 593t	

*2 Gigajoule (1,000,000,000 joules)
*3 Pollutant Release and Transfer Register
*4 Sulfur Oxide
*5 Nitrogen Oxide
*6 Volatile Organic Compounds

*7 Range of target: 4 plants of Haruhi, Inazawa, Heiwacho and Seto, Kitajima Technical Center, Miwa Technical Center and Sun-Court Inoguchi

OUTPUT

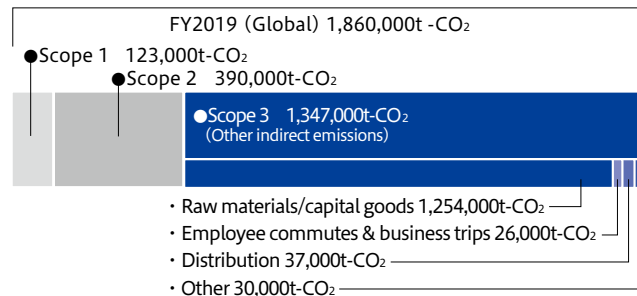
Products	
Emitted into the atmosphere	
NOx*5	108t
CO ₂ 106,000t-CO ₂	Dust 0t
6 gases 200t-CO ₂	Volume of substances subject to PRTR 91t
SOx*4 0t	VOC*6 emissions 270t
Waste discharge	
General waste	7t
Landfill waste 0t	For-profit disposal by sale 5,893t
Incinerated waste 1t	Volume of substances subject to PRTR 59t
Industrial waste 7,203t	
Wastewater	
Nitrogen emissions*7	8.3t
Total wastewater 930,000m ³	Phosphorus emissions*7 0.5t
Volume of substances subject to PRTR 0.1t	COD emissions*7 4.1t

Environmental impact in the value chain

From the perspective of preserving the earth, we have surveyed and disclosed not only GHG emissions (Scope 1*¹, Scope 2*²) in our business activities but also emissions in our entire value chain including excavation of raw materials and product use and disposal (Scope 3*³). To increase precision for a more accurate picture, we reviewed the calculation method and data collection for Scope 3.

*1 Greenhouse gas emissions emitted directly by the company itself (natural gas and other fossil fuels, etc.)
 *2 Indirectly emitted greenhouse gases (electricity, etc.)
 *3 Greenhouse gases emitted in the supply chain that are indirectly emitted by the company (manufacturing, transport, business travel, commuting, etc.)

CO₂ emissions by scope level



Building a decarbonized society

In addition to lighter weight products that lead to improved vehicle fuel efficiency, we are reducing CO₂ emissions through improved productivity and more efficient distribution.

Basic philosophy

In addition to achieving the goal set under the Paris Agreement of keeping the rise in the global average temperature to below 2°C compared with pre-Industrial Revolution levels, we believe that we must reduce greenhouse gas emissions to virtually zero by the end of this century. With the aim of minimizing CO₂ emissions as presented in the TG 2050 Environmental Challenge, we are utilizing new production techniques and product development skills with an eye toward next-generation

vehicles in addition to the manufacturing skills we have cultivated over time. Plans for execution are included in our 6th Environmental Action Plan with activity targets for FY2020. We have also set the goal of cutting CO₂ emissions 43% by FY2030, the midpoint for the TG 2050 Environmental Challenge, and implementing stepwise, specific CO₂ reductions. To reduce CO₂ emissions over the entire product lifecycle, we are making efforts to increase efficiency in distribution and other areas.

Reducing CO₂ emissions

The Toyoda Gosei Group is reducing CO₂ emissions (per unit sales) in the product stage, production stage, and over the entire lifecycle to achieve the targets set for FY2020.

● Product development stage: Environmentally-friendly product development

In the product stage, we are making headway in providing parts for environmentally-friendly, next-generation vehicles and developing products with lighter weight for greater fuel efficiency and lower energy consumption across the areas of materials technology, product design, and production

technology. Examples include aggressive efforts to switch materials (e.g., from metal or rubber to plastic) in instrument panel peripherals and other interior products and in functional parts such as hoses, reduce the number of components, integrate functions, and use thinner material while ensuring strength.

● Production stage: Reductions with development of new processes, daily *kaizen*

In the production stage, we are developing new production techniques that minimize energy usage and introducing energy-saving equipment through the Production Engineering Technology Environment Subcommittee started in FY2016.

We also conduct regular *kaizen* to thoroughly eliminate

waste. Today, the TG ESCO (expert team that conducts reduction activities with *genchi-genbutsu*) formed in 2016 is conducting *kaizen* activities that include the latest technologies and collecting and applying information on best practices from other companies.

● Recycling: Reductions in materials and parts procurement, more efficient distribution

Toyoda Gosei has prepared and distributed green procurement guidelines for materials and parts procurement with low environmental impact. Together with regular supplier surveys to ensure compliance, we also provide support when improvements are needed.

We are also making active efforts to reduce CO₂ emissions over the lifecycle with more efficient distribution, including reviews of truck allocation and transport modes with the aim of improving truck payloads and shortening distribution lines.

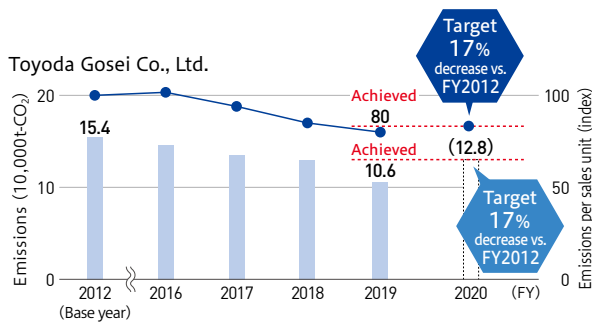
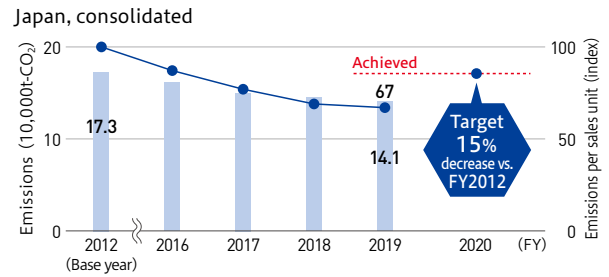
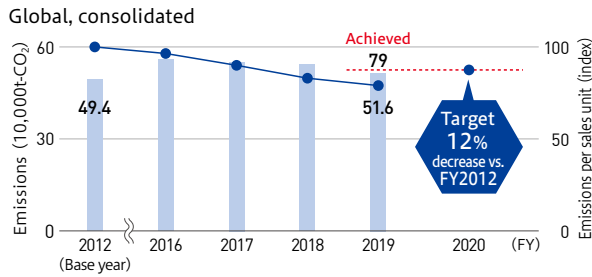


• Renewable energy

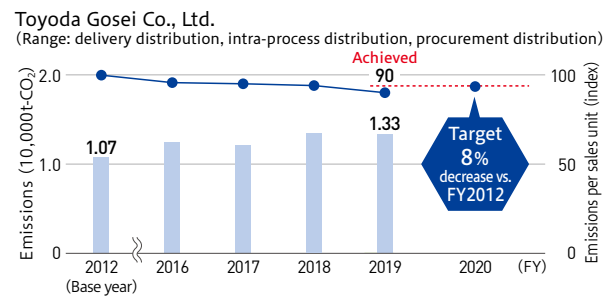
We are moving toward a target of using renewable energy equivalent to 2% of our total global electricity consumption by FY2020. This includes installation of solar and wind clean

energy generation equipment and the purchase of green power. Our next challenge is to raise clean energy levels to at least 20% globally by FY2030.

CO₂ emissions, CO₂ emissions per sales unit (index)*4



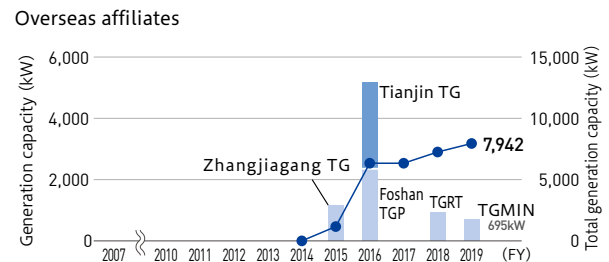
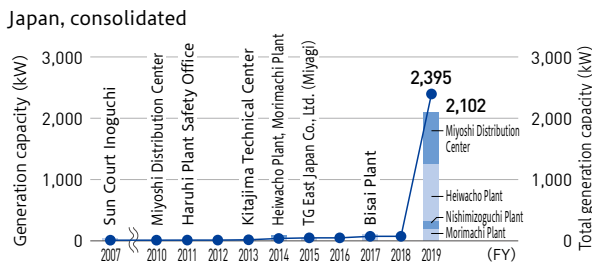
CO₂ emissions in distribution, CO₂ emissions per sales unit (index)*4



*4 Emissions per sales unit (index) is a figure obtained taking FY2012 as 100 [CO₂ conversion factor] The CO₂ conversion factors used for Japan*5 are the 1990 Keidanren factors. The CO₂ conversion factors used for other countries are from the GHG Protocol (2001).

*5 Electricity: 0.3707t-CO₂/MWh, class A fuel oil: 2.69577t-CO₂/kL, LPG: 3.00397t-CO₂/t, Town gas: 2.15701t-CO₂/1,000 Nm³, Kerosene: 2.53155 t-CO₂/kL, LNG: 2.68682t-CO₂/t, Gasoline: 2.36063t-CO₂/kL (excluding external factors of gas companies' town gas heat conversion)

Solar power generation graph (does not include stand-alone systems such as outside lights with solar panels)

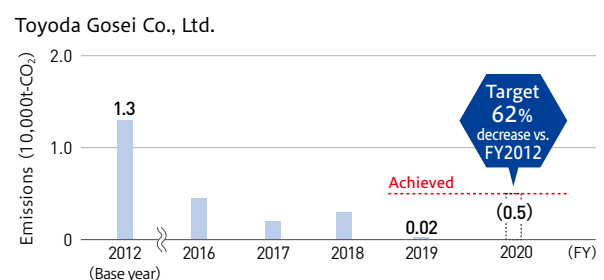


Reductions in 6 greenhouse gases*6

Of the six greenhouse gases, Toyoda Gosei Co., Ltd. uses three (HFC, PFC, SF₆) and is conducting activities to reduce all of them. By FY2015 we had completed a switch to alternative gases with a low environmental impact for the shield gas used in the production of steering wheel cores and other gases. This has resulted in a 74% decrease in greenhouse gases since FY2012. We will continue these reduction activities in the future.

*6 Hydrofluorocarbon (HFC), perfluorocarbon (PFC), sulfur hexafluoride (SF₆), methane (CH₄), nitrous oxide (N₂O), nitrogen trifluoride (NF₃)

Trend in greenhouse gas (6 gases) emissions (CO₂ equivalents)



Building recycling societies

Toyoda Gosei uses resources effectively and contributes to a recycling society by reducing waste volumes*1 and water usage and designing products that are easily recyclable.

*1 We are currently attempting to reduce waste volumes to meet our FY2020 target as we move toward minimization of industrial waste as set forth in the TG 2050 Environmental Challenge.

Basic philosophy

To move closer to the recycling society envisioned in the TG 2050 Environmental Challenge, Toyoda Gosei aims to minimize industrial waste and water usage and we are making every effort to use resources effectively, reducing materials usage and waste volumes through thorough sorting and the design of easily recyclable products.

Waste reduction

Production To reduce waste in production processes and achieve our 2020 targets, we are combating waste at its source and recycling. We have also started a waste reduction project with coordination among plants and production technology, materials technology, and product design departments to strengthen efforts to combat waste at its source. At each plant, we are reducing waste through *genchi-genbutsu* (go and see), identifying items for reduction with the help of external experts, and implementing rubber, plastic, and liquid reductions.

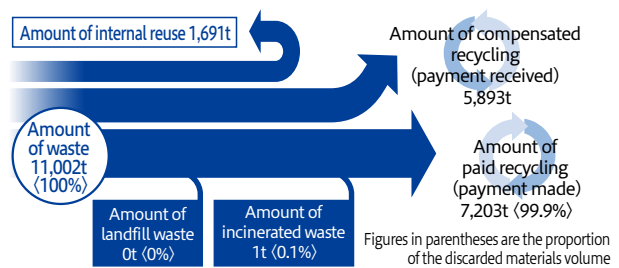
Study sessions are also held to promote waste reduction at both domestic and international Group companies.

Distribution The packing material used in product transport is being reduced to prevent products from being dirtied by increasing the number of times reusable containers are used

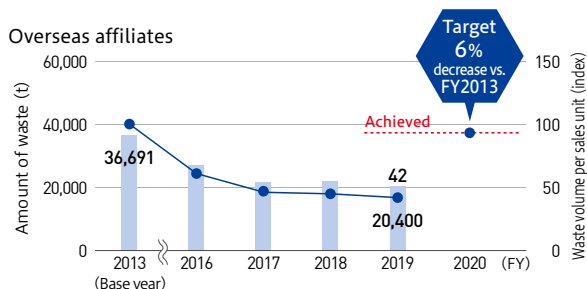
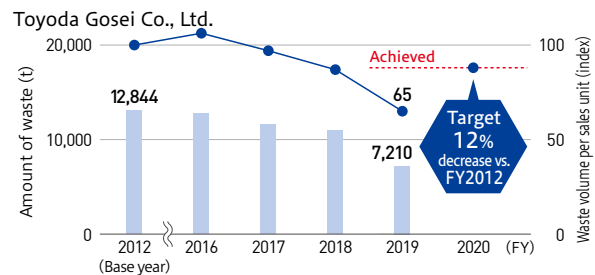
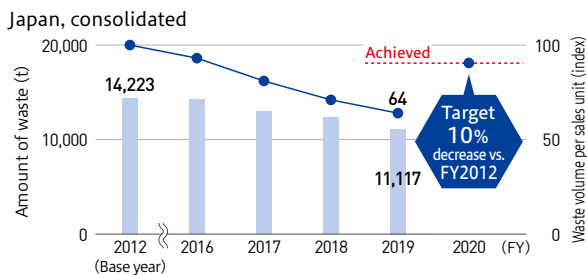
Frequent water shortages and floods have become a major problem in all parts of the world. We are attempting to identify these risks in every country and region where we have operations while also striving to give back to the community by reducing water usage, recycling water, and releasing cleaner wastewater.

in the field and maintaining cleanliness. We are also reducing packing material by putting lids on reusable containers and other changes, considering the balance between maintaining product quality and reducing the use of packing materials.

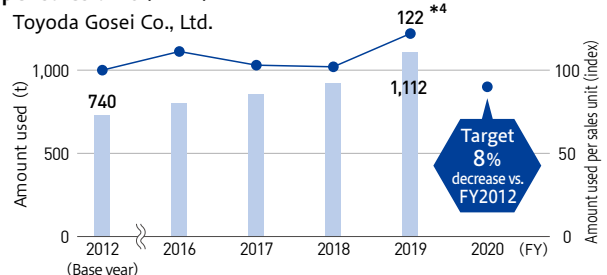
Amounts of waste generated and disposed of (results for FY2019: Toyoda Gosei)



Waste volume, waste volume per sales unit (index)*2



Amount of distribution packing material used, Amount used per sales unit (Index)*3



*2 The amount of waste per sales unit (index) is a figure obtained taking the base year as 100

*3 The amount of distribution packing material used per sales unit (index) is a figure obtained taking the base year as 100

*4 The amount of packing material used increased with increased shipments of service parts due to natural disasters and larger part sizes.



Reducing water risks

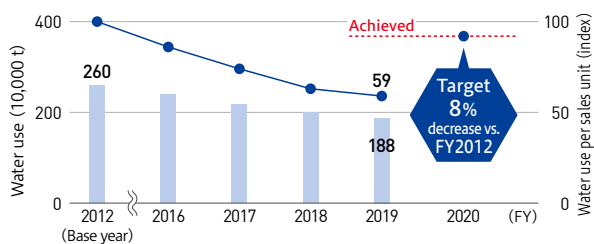
To achieve the 2020 targets, we are working on *kaizen* through TG ESCO (expert team that conducts reduction activities with *genchi-genbutsu*) activities. Today, water use has been reduced 24% compared with FY2012 levels by decreasing loss and leakage in water use amounts.

Wastewater treatment facilities are also being

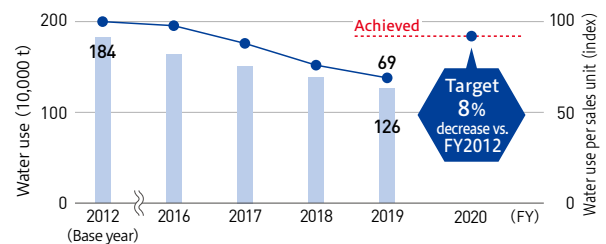
systematically upgraded to improve our processing ability so that wastewater is cleaner and the water recycling rate is higher. We will continue our efforts for improvement by identifying risks in each country and region where we do business based on the increasing importance of water.

Water use, water use per sales unit (index)*5

Japan, consolidated

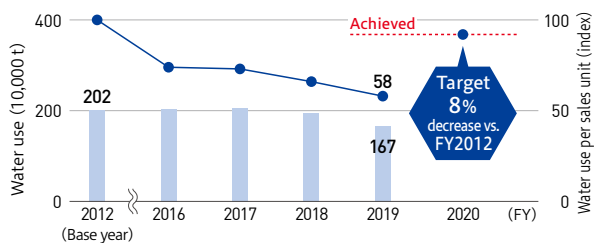


Toyoda Gosei Co., Ltd.



*5 Water use per sales unit (index) is a figure obtained taking the base year as 100

Overseas affiliates



Environmental management

While working for environmental preservation, we are continuing employee training and education programs so that every employee can act with awareness of the environment.

Basic philosophy

In addition to strengthening the selection and management of chemical substances to create products and processes that are kind to people and the earth, we are improving environmental management in things such as compliance with laws, regulations and customer standards in every

country where we do business, based on ISO 14001.

We are also making aggressive efforts for education to raise the environmental awareness of employees and train personnel for sustainable environmental activities.

Control of chemical substances contained in products

To strengthen the management of chemical substances in our products, we control legally regulated substances in each country, substances that are self-regulated by automakers, and substances covered by our own company regulations. We watch the trends in European REACH*6 regulations and the EU RoHS Directive*7 and have a system in place to respond rapidly when these regulations are revised. To respond to

requests from automakers in each country for information on chemical substances in products, we have devised mechanisms and conducted systems for global collective management of chemical substances that we are currently using in Japan, China, Thailand and Vietnam. We will be steadily expanding this system to places where it is not yet in use.

*6 Registration, Evaluation, Authorization and Restriction of Chemicals

*7 Restrictions on the use of specific hazardous substances contained in electrical and electronic equipment

ISO 14001 environmental audit

Toyoda Gosei and its domestic and international affiliates acquire ISO 14001 environmental management system certification. Internal environmental audits are carried out by audit teams composed of members from business areas outside those being audited in order to raise the independence and objectivity of the audits. Toyoda Gosei Co., Ltd. commissions external reviews by the Japan Quality Assurance Organization (JQA) to assess whether our environmental management systems are run properly in accordance with ISO14001.

Activities to eliminate compliance and environmental violations and complaints

Regular checks are conducted by expert departments and maintenance and management are carried out to ensure legal compliance and no environmental problems or complaints. Preventive activities such as environmental preservation project team activities are also conducted to combat risks. In addition, we analyze problems that occur at other companies, inspect similar facilities including those at domestic and

ISO14001-certified production sites

Toyoda Gosei Co., Ltd.	7 plants (FY2019)
Affiliates in Japan	10 companies
Overseas Affiliates	Americas: 12 companies, Asia: 7 companies, China: 6 companies, Europe/Africa: 3 companies

international affiliates, and take preventive measures.

We are ensuring proper disposal of equipment containing polychlorinated biphenyl (PCB). So far, we have completed disposal of waste from 848 units. We are continuing these efforts to dispose of untreated low-level PCB waste at an early date.

Environmental education

Toyoda Gosei educates employees on environmental problems including the destruction of nature and environmental pollution, the impacts on the environment of production activities, and compliance with environmental

regulations. The content each year emphasizes understanding and practices based on legal trends, with examples incorporated to create specific and understandable teaching materials.

Environmental education system

Level-specific training

Toyoda Gosei Co., Ltd.	Affiliate Companies	
	Japan	Overseas
Education for new managers		
Education for those posted overseas		
Education for environmental key persons		
Acquisition of environmental education qualifications		
Education for new employees		

ISO education

Toyoda Gosei Co., Ltd.	Affiliate Companies	
	Japan	Overseas
Education for environmental staff		
Education to improve internal auditors' skills		
Education to register internal auditors		
Education for supervising managers		
Education for key environmental facility workers		
Education for general workers		

Activities to raise environmental awareness

We are attempting to raise the environmental awareness of employees through Environment Month events, regular environmental lectures, and other activities so that all employees have an awareness of the environment in their activities for ongoing environmental protection.

We also conduct a questionnaire survey of employees each year to assess their environmental awareness and plan educational activities based on the results.



Environmental exhibits at five plants in Japan



Environment Month: Seeking Mottainai ideas
Don't you have more mottainai?



Eco tours
(woodland maintenance/Kimori no sato)



Environmental booth at company events
(TG Festival)



Other key issues

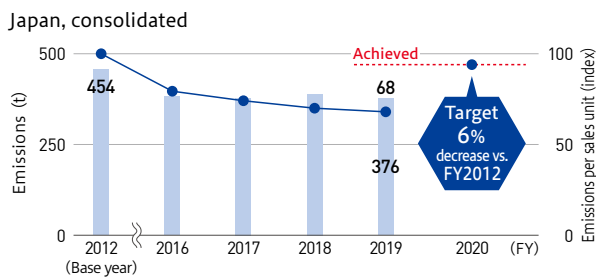
With awareness of environmental issues, every employee makes efforts to preserve the environment while recognizing the importance of protecting nature and biodiversity and contributing to the creation of environmentally-friendly societies.

Reduced use of substances of concern

In production processes, we are switching to water-based paint and release agents, making painting lines more compact, improving coating efficiency, and making other efforts to reduce Pollutant Release and Transfer Register (PRTR) substances and volatile organic compounds (VOCs).

Through on-site visits, we also share information on cases in which VOCs were successfully decreased to promote reduction activities.

VOC emissions, emissions per sales unit (index)*



*Emissions per sales unit (index) is a figure obtained taking FY2012 as 100

Biodiversity

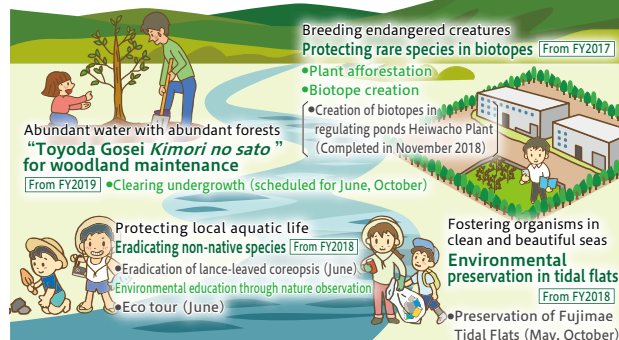
The Toyota Gosei Group is working actively to protect nature and create environmentally-friendly societies through our plant afforestation project, biotope creation and environmental education.

• Mid-range plan for 2020

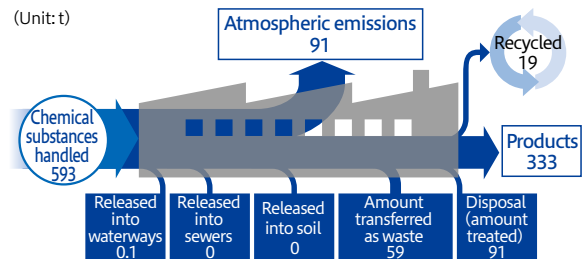
We have drafted a mid-range plan for biodiversity activities and are carrying out these activities with the slogan “Working to save our water, the source of life on earth.”

Working to save our water, the source of life on earth

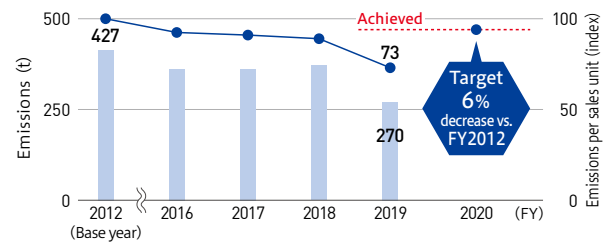
Efforts to protect the water used at our plants from its source (mountains) to its destination (sea)



Volumes and flow of emitted PRTR substances



Toyoda Gosei Co., Ltd.



We will further enhance these activities in coordination with the Toyota Group, government agencies, NPOs and others.

• Kimori no sato woodland maintenance

In FY2019 we cleared undergrowth and thinned trees in a forest in Minokamo, Gifu Prefecture, located on the upper reaches of the Kiso River to promote healthy woodlands.



• Biotope creation

We conducted a biological survey of the biotope completed in FY2018 at the Heiwacho Plant. Five themes and five species that are Aichi Prefecture Ecosystem Monitoring Indicator Species were confirmed, and living organisms have begun to gradually become established.



Social <S>



Developing personnel who can thrive in a changing environment, and contributing to society through manufacturing.

As a good corporate citizen, the Toyoda Gosei Group aims to contribute to development of the economy and society through business activities rooted in each country and community and social contribution activities. To build a foundation for those endeavors, we are developing professionals who can act globally and promoting diversity and workstyle reforms. We respect the individuality of each person while increasing our collective strength through teamwork to achieve a vibrant corporate culture with meaningful work. We will continue to conduct research and development in anticipation of future changes, raise the level of our manufacturing technology, strengthen our supply chain and make constant *kaizen* efforts to satisfy our customers.

Hiromasa Zaitu

Corporate Officer,
Chief of General Administration and Human Resources Headquarters, IT Headquarters

We are striving to create workplaces that are pleasant and conducive to producing good results, with the following key performance indicators.

Classification	Item	Target	FY2019 results
1 Creating pleasant workplace environments	Employee turnover rate	Less than 3.0%	1.2%
	Average overtime hours	Less than 20 h/month	16.8 h/month
	Annual paid leave taking rate	95% or higher	97%
	Number of people promoted from non-regular to regular employees	30/year	112
	Harassment prevention training for new managers implementation rate	100%	100%
	Rate of interviews on how to work with young employees	100% within 2 years	100% (for FY2019)
	Prohibition of smoking on company premises	Institution of on-site smoking prohibition	Instituted in January 2020
2 Promoting diversity	Percentage of women among new employees (staff positions)	20%	16%
	No. of female managers	40 (2025)	19
	Childcare leave taking rate	Men: 30% Women: 100%	Men: 5% Women: 100%
	No. of foreign national employees	30	30
	Employment rate of people with disabilities	2.20%	2.38%
3 Personnel development	Number of young employees on loan outside company	40	49 (of whom 25 were sent overseas)
	Successful execution of young employee 3-year independence plans	100%	100%
	Number of people who have taken practical or professional training	2,500	2,592
	Number of people who have taken global officer + management training	250	269



Workstyle and workplace culture reforms

From FY2017 we began efforts to make work more efficient with the use of IT and reviews of meeting structures with the aim of every employee thoroughly executing his or her essential tasks. Overall activities entailing a range of efforts to change the way we work are conducted for workstyle reforms. We are also making various efforts to deal with environmental changes with a sense of speed and raise the quality of work. In conjunction with this, we are providing opportunities for communication in the workplace, such as informal gatherings with officers and superiors, while also eliminating waste and adopting a working style with a varied pace.



Example of workplace culture reform activities

- Five Articles for Officers**
1. I will greet people with a smile
 2. I will listen to team members talk until they are finished
 3. I will say "I appreciate your efforts" for positive information from team members, and "Thank you" for negative information
 4. I will back team members who take on challenges, and assume responsibility
 5. I will try to make myself better understood



We aim to create an environment in which employees can discuss anything freely with each other, with officers themselves leading these changes (this year is 5th year)



Workplace colleagues cheering for handball team

The keys of workstyle reforms



Creation of systems for flexible work styles

Work from home has been introduced as one aspect of workstyle reforms. By making it possible to work from home, we provide an environment where people can balance work and life, display their abilities, and do their jobs efficiently.

- Interviews with young employees on working styles
Consultants identify things that are troubling young employees using an interview format, leading to improvements in the workplace environment.

Examples of workstyle and workplace culture reforms

Perspective	Item	Efforts
Concentration on essential work	Establishment of a concentration time	• 11:00 to 12:00 each day is set as "concentration time" (as a rule, NO meetings, NO telephoning, NO instruction. Workers are notified with music played at 11:00 a.m.)
Increased work efficiency	Review of meeting structure	• Abolishment of preliminary meetings, minimization of the number of participants, time, and frequency • Thorough reinforcement in observing company rules and etiquette
	Work <i>kaizen</i> using IT tools	• Reduction of travel time, increased work speed (introduction of teleconference, electronic approval systems, etc.) • Task automation with RPA* electronic decision-making
Workplace culture reforms	Management declarations	• General managers and deputy general managers use their own words to talk to subordinates about the kind of workplace they want to create
	Workplace-specific problem resolution	• Labor and management exchange opinions and make proposals to create better workplaces
Workstyle with varied pace	Encouraging people to take annual vacation	• Encourage general workplace employees to take full annual leave and 3-day weekends • Set annual vacation targets for management positions and monitor whether this vacation is taken

* Robotic process automation

Classification	Targeted persons
Staff positions	2nd, 4th, 6th year employees
Skilled workers	2nd year employees, 1st-3rd year female employees



Company uniform committee (review of uniform to mark 70th anniversary)



Days of thinking about engineer workstyles (event for engineering staff)



Toyoda Gosei Group Ekiden race (suppliers/affiliates also participate)

Respect for human rights

Respect for individual human rights and privacy both in and out of work are set in employee behavioral guidelines in the Toyoda Gosei Guidelines for Business Ethics. We are striving to create healthy and pleasant workplaces where the character and individuality of each person is respected and that are free of discriminatory behavior, sexual harassment and power harassment.

Human rights education

In both new employee education and new manager training, we provide education on human rights. Employees learn about the current problems in human rights, so that they can act with increased awareness and respect for human rights

and privacy both during and outside of their work. Personnel are sent to external training to learn in greater depth about rights problems. In these and other ways we are trying to train people with a superior sense of human rights.

Health management

Health declaration — To achieve “Boundless Creativity and Social Contribution”

We believe that healthy and energetic employees and their families are the source for Toyoda Gosei’s management philosophy of “Boundless Creativity and Social Contribution,” and we will promote the following activities.

1. We believe the health of our employees is an important management issue and will strive to foster an organizational culture that puts safety and health first.
2. We will strive to create cheerful and lively workplaces where employees can work energetically.
3. We will support the health of our employees and their families by cooperating with the health insurance association and making efforts for primary prevention.



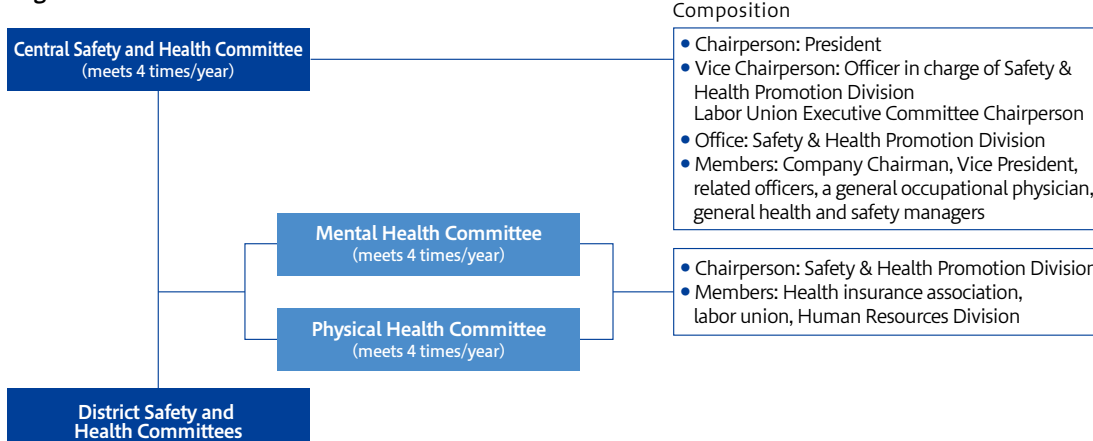
Toyoda Gosei has been recognized as an “Outstanding Health Management Corporation” (large corporation category) for four consecutive years (March 2020).

In 2018, Toyoda Gosei formulated its 2025 Business Plan. The ability of each employee to work with energy and health into the future is essential as a foundation to fulfill our corporate social responsibility as stated in Toyoda Gosei’s management philosophy. In recognition of this, we are promoting health management to maintain and promote the health of our employees.

With our Safety & Health Promotion Division serving as the executive office, we have established mental and

physical health committees consisting of company general occupational physicians and members of our Human Resources Division, health insurance union, and labor union. Health management measures are discussed in these committees and progress is confirmed. In addition, reports are given and approvals are obtained in our Central Safety and Health Committee, which then spreads these measures to the Safety and Health Committees in each region.

Organization

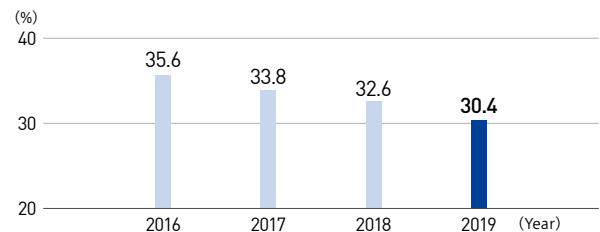




Measures to prevent passive smoking

In anticipation of the Revised Health Promotion Act, which went into full effect in April 2020, we instituted a smoking ban on all company property in Japan starting in January 2020. This was made possible by the strong will of company management to “be a company with no unwanted second-hand smoke.” We are also trying to reduce smoking rates by holding smoking cessation lectures, offering guidance on how to quit smoking, and continuing to support smoking cessation in ways such as paying outpatient expenses for treatments to help individuals quit.

Smoking rate



Activities to prevent the onset or recurrence of mental health problems in employees

With the goal of reducing by 10% (on a year-on-year basis) the number of employees who are on leave due to mental illness, last year we provided individual consultations for employees found to have high levels of stress in stress checks and those who were promoted or transferred under high pressure environments. We also enhanced education for

managers and supervisors to prevent communication errors in the workplace, and made efforts to improve the workplace in collaboration with the Human Resources Division.

As a result, we achieved our target of a 24% reduction in the number of employees on leave for mental illness compared to the previous year.

Ongoing educational activities to raise health awareness

We held health lectures and exercise workshops at three locations in Japan with the aim of encouraging employees to adopt healthier behaviors (improved lifestyle habits). Of the more than 300 employees who participated, 98% said that they could implement the practices introduced “from the next day,” indicating that these events were a trigger for action.



Health seminar

Hiring of diverse personnel

Toyoda Gosei hires a diverse workforce and is making efforts to energize the company. We are creating a positive environment in the company by providing fair and equal employment and training with respect for diversity.

Encouraging the active roles of women

A special organization established in 2010 has been active in the three key areas of (1) training and support for the active roles of female leaders, (2) reforming the attitudes and behaviors of superiors, and (3) creating a fair workplace culture. Our aim is to create a situation in which all people, regardless of sex, can be active and grow. A working group of management volunteers was started in 2018 and has begun working to raise the management level. The group is reviewing the work styles of managers with the themes of promoting the

active roles of diverse employees and the work-life balance of managers themselves and their subordinates. “Tea meetings,” “Training programs to encourage early development” and other opportunities are also offered to listen to the troubles and thoughts of female employees and strengthen personal connections. Together with creating an environment where people can work for long times with a sense of security, there is also support for career advancement.



Workplace reform management class

What we want for each person

To be active and grow as an employee who can work energetically and produce results in an open and fair environment.

Three key priority measures for activity

Training and support for the active roles of female employees

Reforming the attitudes and behaviors of superiors

Creating a workplace culture

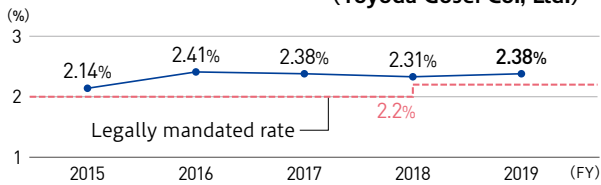
Workplaces that welcome people with disabilities

We view the hiring of persons with disabilities as a social responsibility, and make active efforts in this area. The Committee for Employment of People with Disabilities implements hiring, job assignments, and manager and supervisor education, and helps to establish stable positions. We place particular emphasis on helping persons with disabilities establish stable positions, monitoring conditions through regular care interviews and improving the work environment by identifying where they face problems. The entire Toyoda Gosei Group holds seminars on people with disabilities to share information and create educational opportunities. Work that people with disabilities can perform is identified, and they are systematically hired and placed. In FY2019, 120 people with disabilities were hired (as of March 1, 2020). This was a hiring rate of 2.38%, exceeding our target (legally mandated employment rate $\geq 2.2\%$).



Communication with sign language in the workplace

Changes in employment rate for people with disabilities (Toyoda Gosei Co., Ltd.)



Work-Life balance

Toyoda Gosei Co., Ltd. is adopting a system wherein each employee can select a working style with consideration of work-life balance, supporting employees so that they can work with a sense of security and motivation. Childcare support includes systems for shorter working hours and holiday day-care, plus working parent networking events. For these efforts we have been certified by the Ministry of Health, Labor and Welfare as a "Childcare Support Corporation." For nursing care support we are also undertaking activities to increase knowledge and familiarize employees with our systems. We have introduced systems for reduced days or reduced working hours so that patients can undergo treatment for disease while continuing to work, and for a balance between medical care and work.

We will provide education for the creation of workplace environments where people can use these systems without hesitation, while continuing to enhance our support and policies.

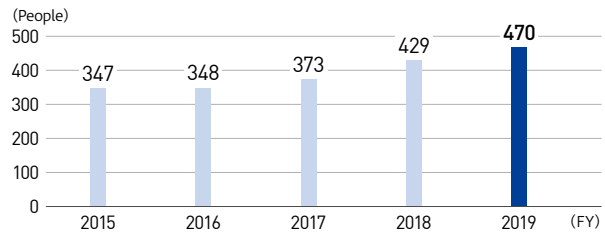
	Childcare leave	Care leave	Reduced working hours
FY2019	67	0	68*

* Childcare 57 / nursing care 5 / medical treatment 6

Creation of an environment for stable work after retirement

We have established an environment so that employees can work with assurance after retirement in a post-retirement rehiring system. Many people can make use of their high levels of expertise and experience after they are rehired. A system of reduced working days and working hours supports working styles for a good work-life balance.

Trend in cumulative number of re-employed retirees



Holiday day-care



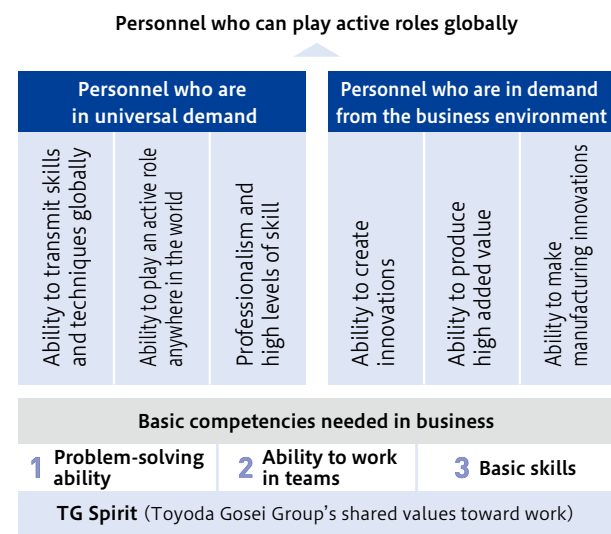
Working parent networking meeting (support for childcare-work balance)



Personnel development

A global workforce of employees who think and act independently

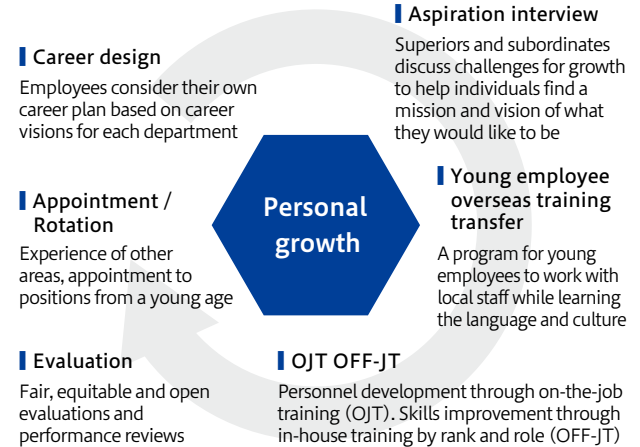
To raise the collective strength of Toyoda Gosei globally, we are striving to develop people who can contribute to that end and to create workplace environments where each employee can display his or her full abilities.



Framework for personnel development that supports growth

In the Toyoda Gosei Group, our personnel management system features aspiration interviews and visualization of mid- and long-term career design for each employee, as well as rotation of young employees so that they experience a wide range of work. We are also enhancing our level-specific and specialty training to give employees opportunities to acquire needed abilities and skills.

Personnel development cycle



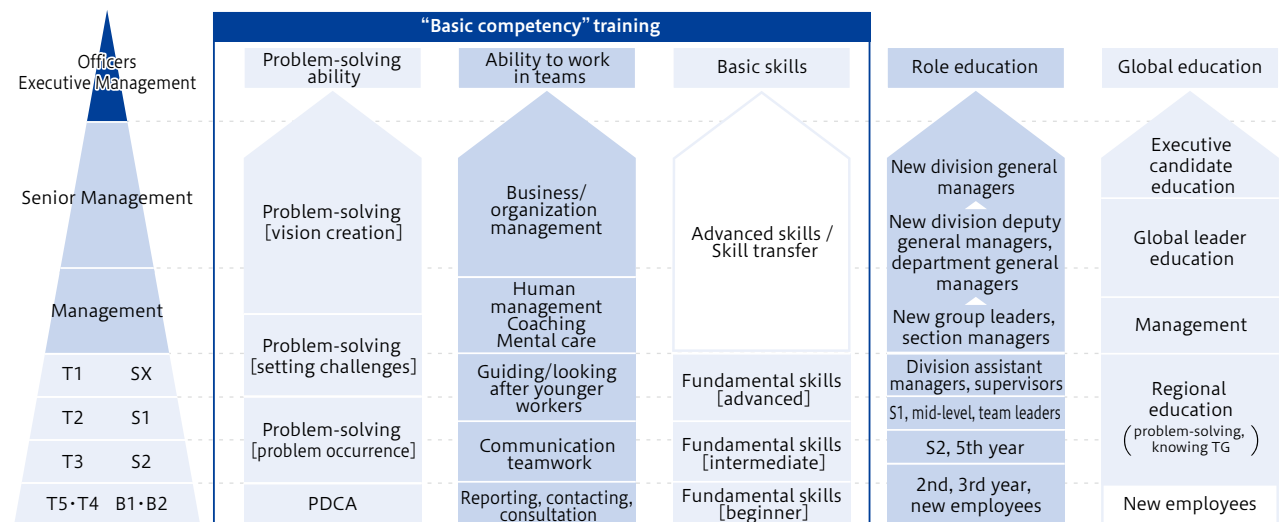
Enhanced training programs, invigorated personnel development

A broad range of efforts based on individual career visions are underway, including measures and study programs in Japan to develop people who can perform globally and next generation leaders, and personnel development programs for all global employees.



People who received basic training in TG work in China (Regional Basic Training)

Level-specific education system



Training manufacturing personnel

Improving the skills of each worker is an indispensable part of enhancing the manufacturing capabilities of production sites. We have therefore introduced various measures with the basic policy of “cultivating a culture that values skills.”

To lead other companies in strong manufacturing, managers and supervisors need to have their own specialized skills in addition to the ability to supervise manufacturing sites. Special Skills Dojos are being started up sequentially in each product area as a place to train supervisors.

In 2019, we launched the Equipment Maintenance Dojo at the Miwa Technical Center and established an educational curriculum that combines both classroom and practical skill learning with the aim of having learners become fully active members of the maintenance staff as soon as possible. We have also set up a Mold Maintenance Dojo at the Nishimizoguchi Factory to train all mold maintenance workers. Training began in FY2014. We have established a solid foundation for maintenance skills and put in place a system for employees to

work on raising their skill levels.

In FY2017 we began participating in the Skills Olympics. While still feeling our way toward raising employees’ skills, we participated in our first national tournament in 2018 and a Toyoda Gosei employee won the Fighting Spirit award in 2019. It was an extraordinary achievement to win that prize in only our second year in the competition. The result gave us confidence in our approach to developing human resources for the manufacturing floor.



Maintenance skill dojo

Aiming for “zero accidents”

Toyoda Gosei Co., Ltd. aims for zero accidents through Safe Personnel and Safe Workplace programs, with the president overseeing all efforts as the company’s general health and safety manager.

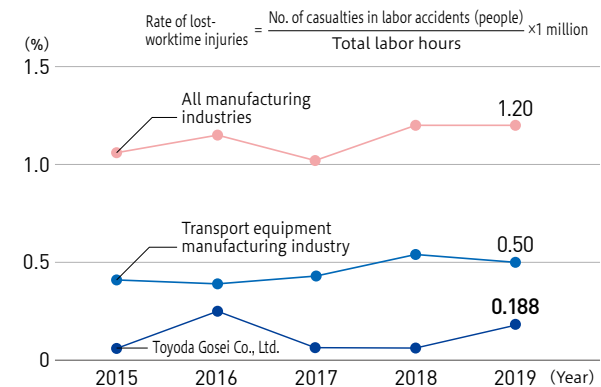
In the Safe Personnel program, we focused in FY2019 on increasing maintenance and regular observation of rules through monitor activities to ensure that employees hold handrails on stairs and stop and check in both directions at stop points on walkways within plants.



Monitors

In Safe Workplace activities we aim to improve the safety of high-risk equipment where serious accidents (STOP 7) can occur. Risk assessments based on a reverse KY (*kiken yochi*, or hazard prediction) approach are conducted to identify target equipment, set clear priorities, and take preventive measures.

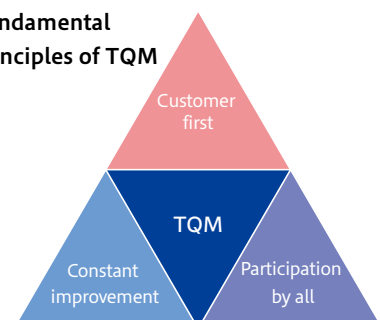
Trends in labor accident rate (rate of lost-worktime injuries)



Uniform global quality assurance

Toyoda Gosei ensures quality in all business activities, from development to production, based on our basic quality policy. Every one of our plants has obtained certification in the ISO 9001 (JQA QM7318/QMA11826/QMA12841) and IATF16949 (JQA-AU124) international standards for quality management systems. Each plant also sets its own quality control goals for production. These goals are based on the principles of Total Quality Management, or TQM—activities designed to enhance the quality of products, work, and management, and increase the dynamism of individuals and organizations, through constant improvement and the participation of all based on the “Customer First” principle. In addition, all Group companies use our Quality System Global Standards, which incorporate quality improvement with rules and know-how to ensure quality.

Fundamental principles of TQM





Monitoring and responding to manufacturing processes and market quality

Defect-free process completion is carried out in production and other processes for parts involved in the basic automotive functions of running, turning, and stopping, as these parts are directly linked to safety. We want the Toyoda Gosei name to equal quality in the minds of customers worldwide. For this purpose, we advance quality assurance declaration activities at all production locations. This means that all employees make efforts to improve safety and the people in charge of all manufacturing processes improve quality through the development of people and processes. When a mechanism that can ensure the target quality has been completed and is in place, the manager makes an “assurance declaration” to the president or site manager. The president or site manager then conducts a site inspection. Through “*jidoka*,” we improve

quality by creating processes that do not produce or pass on any defects and developing workers with a high sensitivity to safety and to avoiding mistakes. We also have fulltime auditors who audit and improve processes at all production sites globally.

A system is in place so that whenever a quality problem occurs in the market, we can quickly investigate the causes based on information from automakers and implement prevention measures. When it is difficult to pinpoint the cause of a problem and develop solutions internally, we work with the quality departments of automakers to take precise measures to prevent recurrence based on inspections with test vehicles and other means. In this way we prevent such quality defects from occurring in the next products.

Supply chain management

We aim to deepen our partnerships with suppliers based on our basic procurement policy, while achieving sustainable growth for us both.

Basic procurement policy

1. Optimum global procurement

We procure the best raw materials, products, and equipment fairly from a global perspective while considering cost, quality, technology, and production. We also welcome proposals from suppliers for new technologies and methods and new products.

2. Mutual growth based on mutual trust

We aim to raise the collective strength of the Toyoda Gosei Group based on open and fair relationships with suppliers, strengthening our mutual corporate cultures, introducing innovative management, and building mutual trust.

3. Efforts for ESG

We share ESG efforts with suppliers with the aim of protecting the environment, fulfilling our social responsibilities, and thorough governance in the Toyoda Gosei Group. We also aim to ensure complete legal compliance and confidentiality in corporate activities, including our supply chain.

Strengthening our relationships with suppliers

Every April, we hold a procurement policy briefing with about 200 suppliers, where we explain our management philosophy, business environment and company policy, and share our efforts and targets in the areas of safety, compliance, quality, production, and costs. We also present awards to suppliers who have raised their achievements in each field. Every quarter, we

hold a procurement liaison meeting with about 100 suppliers to share production information and information on quality, compliance, safety and other matters. In addition, we hold seminars on personnel development, business continuation and other topics to strengthen our partnerships with suppliers.



Procurement policy briefing



Seminars/meetings on business challenges

Support for suppliers so that we can grow together

To support our suppliers, we implement various initiatives from the perspective of safety, quality, cost and production. Safety initiatives include prevention activities based on checks of compliance with Japan’s Industrial Safety and Health Act and risk assessments. Efforts related to production include manufacturing site improvement through manufacturing reform activities. Both of these areas are related to personnel development. We have also established Supplier Month as a time to express our sincere appreciation to each of our suppliers for their daily efforts, while also listening to their concerns and working continuously to resolve them.



Supplier appreciation event



Supplier month poster

Green procurement

We do our utmost for environmentally-friendly procurement based on our Green Procurement Guidelines (4th Edition), which consist of three components: establishing environmental management systems; improving regulatory compliance and environmental performance; and managing harmful substances. To reduce environmental impacts, we strive to enhance suppliers’ internal organizations and systems and raise the level of their production activities. Positive results have been achieved, such as acquisition of

ISO 14001 certification and reduction of energy consumption and waste. We comply with increasingly strict chemical substance regulations around the world and monitor the chemicals contained in items procured from suppliers. We also coordinate with suppliers in complying with European ELV (end-of-life vehicle) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations, and in the management of volatile organic compounds (VOCs).

Contributing to local communities

The Toyoda Gosei Group wants to earn the trust of society through all its business activities, including the development and manufacture of products that satisfy customers worldwide, environmental preservation, and social contribution. TG Group companies and their

employees around the world are making efforts to contribute to their communities in the four areas of social welfare, environmental preservation, youth development, and community safety, and grow together with strong local roots.

Social welfare



Introduction of fund-raising meals in cafeterias



Wheelchair repair in welfare institutions

Environmental protection



Environmental education for elementary school students



A total of more than 300,000 trees planted domestically and internationally

Youth development



Support for Boys and Girls Invention Club



Sports clinics

Community safety



Anti-crime patrols



Road safety campaign



Sports promotion



Wolfdogs Nagoya volleyball team



Blue Falcon handball team



Scorpions basketball team

Since winning their first league championship in 2015, the Wolfdogs Nagoya volleyball team has been in contention for the top spot every year. Our handball and basketball teams are also active in Japanese domestic leagues. We aim to foster a sense of unity in employees and the community for a vibrant, rich and active society.

Kokoro Hakobu Project

The “Kokoro Hakobu Project” is an ongoing, long-term support effort led by Toyota Motor Corporation, in which assistance is brought from all parts of the country to areas affected by the Great East Japan Earthquake with the feeling of “carrying our hearts” to those who have suffered. Following the spread of the novel coronavirus from the beginning of 2020, we wondered what we could do to contribute to people fighting the disease and healthcare workers and national and local government personnel who are struggling day and night to combat it. The Toyota Group has joined forces to conduct a range of efforts and support activities under the general name “Kokoro Hakobu Project.”



Providing PCR test vehicles

In May 2020, we provided one novel coronavirus PCR test vehicle to the Tokyo Medical Association. We then provided one to Nagoya University Hospital in June. These vehicles allow medical personnel to collect samples through a barrier, which should be effective in preventing infections. They also have the advantage of being able to be moved to wherever they are needed. The vehicles, based on Toyota’s HiAce, are remodeled with the cooperation of Toyota Customizing & Development Co., Ltd., an expert in the specialty vehicle business.



Supplying protective gear to healthcare sites

In May 2020, we provided 200 protective gowns to Nagoya University Hospital and other medical institutions to help overcome the shortage of medical supplies. Airbags, one of our main products, are made of silicone-coated nylon, which does not allow air to pass through and can be washed and used repeatedly. We planned these gowns jointly with Toyobo Co., Ltd., which manufactures cloth, and Chinese garment manufacturer Hualida Garments Group Co., Ltd. based on hospital needs.



Supporting regional dairy and forestry workers

In May 2020, we provided assistance to dairy and forestry operators in Gifu Prefecture to help reduce excess inventory of food and lumber that was going to have to be thrown away or left unused due to the effects of the novel coronavirus. We purchased milk for which demand from schools fell as a result of the nationwide school closures, and woodworking sets made with surplus wood due to the decline in large-scale demand for homebuilding and other commercial needs. We then provided these products to our employees. This support was provided through relationships with Gifu Prefecture and Minokamo City as part of our environmental preservation activities in a forest maintenance project called the “Toyoda Gosei Kimori no sato.”



Donating food brought in by employees to food banks

In June 2020, we donated various food items to Second Harvest Nagoya, an NPO food bank. In addition to the increase in the number of people living in need due to the spread of novel coronavirus infections, food donations to the food bank have decreased significantly. Employees from 16 Toyoda Gosei Group locations brought in packaged food and bottled drinks from home to donate to the food bank.



Financial Report

Consolidated 10-Year Financial Summary

J-GAAP		FY2010 (Fiscal year ended March 31, 2011)	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)
Operating results	Net sales	516,982	504,518	599,615	689,477	727,846
	Operating profit	29,952	20,415	36,706	43,798	41,603
	Ordinary profit	27,549	20,287	36,777	45,847	43,792
	Profit before income taxes	27,192	19,076	36,571	46,101	39,851
	Profit attributable to owners of parent*1	17,116	8,971	21,429	26,214	21,155
Financial position	Cash and deposits	56,586	70,715	79,073	92,364	85,283
	Current assets	183,293	229,238	244,798	279,281	291,246
	Property, plant and equipment	191,261	183,864	196,163	210,214	250,557
	Non-current assets	233,268	225,555	244,846	262,596	316,926
	Total assets	416,562	454,794	489,644	541,877	608,172
	Short-term loans payable*2	20,200	23,300	35,978	39,069	41,848
	Current liabilities	123,379	149,968	157,748	168,136	180,795
	Bonds payable	10,000	—	—	—	—
	Long-term loans payable	19,348	34,397	23,329	31,138	42,929
	Non-current liabilities	59,107	67,457	59,751	73,462	88,902
	Total liabilities	182,487	217,426	217,500	241,598	269,697
	Shareholders' equity	233,365	238,400	255,201	275,840	289,321
	(Reference) Interest-bearing debt	49,548	57,698	59,307	70,207	84,777
Cash flows	Cash flows from operating activities	62,586	51,112	52,451	55,448	51,283
	Cash flows from investing activities	(52,579)	(37,027)	(40,989)	(45,680)	(62,432)
	Cash flows from financing activities	(18,785)	2,224	(6,128)	(732)	(238)
Key performance indicators	Return on sales (%)	3.3	1.8	3.6	3.8	2.9
	Total asset turnover (times)	1.22	1.16	1.27	1.34	1.27
	Equity ratio (%)	52.2	48.6	51.7	51.6	51.6
	Return on equity (ROE) (%)	7.9	4.1	9.0	9.8	7.1
	Capital investment	46,983	37,623	39,097	43,085	64,733
	Depreciation and amortization	44,481	41,964	38,633	38,743	39,353
	R&D expenses	25,617	25,936	27,279	29,170	29,579
	Number of employees at year-end (consolidated)	26,964	29,108	30,190	31,672	34,754
Per share information (yen)	Annual dividends	36.00	36.00	44.00	56.00	56.00
	Earnings per share (EPS)	132.27	69.33	165.63	202.54	163.44
	Dividend payout ratio (%)	27.22	51.93	26.57	27.65	34.26

*1 "Net income" for FY2010

*2 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)

	FY2015 (Fiscal year ended March 31, 2016)	FY2016 (Fiscal year ended March 31, 2017)	FY2017 (Fiscal year ended March 31, 2018)	IFRS	FY2017 (Fiscal year ended March 31, 2018)	FY2018 (Fiscal year ended March 31, 2019)	FY2019 (Fiscal year ended March 31, 2020)
	781,886	755,601	806,938	Revenue	807,958	840,714	812,937
	42,824	40,675	41,136	Operating profit	35,179	36,525	17,888
	41,490	39,007	43,200				
	36,710	31,288	35,775	Profit before tax	35,507	37,356	16,106
	20,255	16,233	21,175	Profit attributable to owners of parent	21,361	23,309	11,226
	78,388	97,553	104,309	Cash and cash equivalents	97,991	107,311	127,930
	281,212	305,273	328,524	Current assets	357,666	382,106	359,565
	241,408	245,666	259,537	Property, plant and equipment	241,581	257,728	273,479
	306,160	315,425	333,819	Non-current assets	321,819	326,023	349,619
	587,373	620,699	662,388	Total assets	679,485	708,129	709,185
	21,073	31,762	43,722	Borrowings	43,722	32,396	44,657
	162,592	170,574	189,075	Current liabilities	195,392	194,309	180,653
	—	—	10,000	Bonds and borrowings	64,511	93,089	103,399
	44,691	57,261	54,458	Non-current liabilities	118,435	133,674	158,256
	96,937	110,663	119,403	Total liabilities	313,828	327,983	338,909
	259,530	281,237	308,479	Equity attributable to owners of parent			
	301,756	311,127	324,890	(Reference) Interest-bearing debt	108,233	125,486	148,057
	65,765	89,023	108,181				
	77,765	60,401	60,848	Cash flows from operating activities	44,004	57,463	65,247
	(56,261)	(82,131)	(39,201)	Cash flows from investing activities	(21,832)	(55,491)	(54,174)
	(24,736)	14,794	6,541	Cash flows from financing activities	5,966	7,749	12,525
	2.6	2.1	2.6	Profit attributable to owners of parent ratio (%)	2.6	2.8	1.4
	1.31	1.25	1.26	Total asset turnover (times)	1.23	1.21	1.15
	51.7	50.7	49.6	Ratio of equity attributable to owners of parent to total assets (%)	50.1	50.0	48.7
	6.6	5.2	6.6	Return on equity (ROE) (%)	6.4	6.7	3.2
	54,498	55,218	64,816	Capital investment	53,411	46,891	41,835
	44,462	40,902	44,037	Depreciation and amortization	32,545	32,927	37,498
	28,409	27,164	27,864	R&D expenses	27,684	30,025	31,374
	35,903	36,679	38,234	Number of employees at year-end (consolidated)	38,234	39,429	39,403
	56.00	53.00	56.00	Annual dividends	56.00	60.00	60.00
	156.49	125.42	163.60	Earnings per share (EPS)	165.04	180.09	86.74
	35.79	42.26	34.23	Dividend payout ratio (%)	33.93	33.32	69.17

Financial Review

Overview

In FY2019, global economic growth reaccelerated mildly in the first half before slowing throughout the second half amid mounting uncertainty surrounding barriers to trade, most notably tariff hikes by the United States and China. The Japanese economy likewise slowed in the second half, largely in response to a consumption tax hike and a series of natural disasters, including a mega-typhoon, after growing sluggishly in the first half. Japanese auto sales surpassed five million units for a third consecutive year, boosted by new model releases by major client automakers. Overseas, the US auto market's growth stalled and the Chinese market was dampened by a downturn in consumer sentiment largely in response to US-China trade tensions. Global auto sales declined year on year for a second straight year. Against such a backdrop, the SARS-CoV-2 outbreak that erupted in China in late 2019 spread globally from January. The virus prompted countries to close their borders, heavily depressed consumer sentiment and caused supply chain disruptions that shut down production lines. In response, economies and auto markets precipitously deteriorated globally.

Amid such an environment, the Toyoda Gosei Group identified three key pillars of activity toward achievement of the targets in its 2025 Business Plan, a medium- and long-term plan unveiled in May 2018, and has been putting them into practice on a priority basis.

The first pillar is "Venture into innovation, new mobility," under which we are pursuing early commercialization in unconventional new domains through innovative technology. First, we exhibited e-Rubber, a next-generation dielectric rubber, for the first time at CES2020, a consumer-electronics trade show held in Las Vegas in January 2020. We also unveiled haptic (simulated touch) technology that combines a tactile hand and augmented reality. We aim to commercialize applications of such technology in various markets, including healthcare and entertainment. In the CASE (Connected, Autonomous, Shared, Electric) automotive space, we have been proactively investing in startups through a corporate venture capital fund set up in FY2018 and have accelerated development of new technologies, including modularization of interior and exterior components. Additionally, we will continue to commercialize new technologies and products by focusing on product development in response to automobiles' ongoing evolution and on vertical GaN power semiconductor devices that incorporate technology and know-how cultivated through development and production of blue LEDs.

The second pillar is "Strategy for growing markets/fields." In the Americas, a region that supports the Toyoda Gosei Group's earnings as a growth market, we opened a second engineering and sales office in the U.S. state of Ohio. By

locating design and sales staff in proximity to customers, we aim to expedite development of interior and exterior components and airbags and further expand new product sales.

To expand our geographic footprint in the large interior and exterior component market, we plan to expand the molding and painting capacity of three manufacturing subsidiaries in the central and southern U.S.: TG Missouri Corporation, TG Kentucky, LLC, and Toyoda Gosei Texas, LLC. We will pursue further earnings growth through aggressive investment in growth markets. In China, the world's largest auto market and one with promising prospects of continued growth, we plan to enlarge and expand the production capacity of a plant of Hubei Toyoda Gosei Zheng Ao Rubber & Plastics Sealing Science and Technology Co., Ltd., in the aim of expanding inland operations. In Vietnam, an up-and-coming growth market, Toyoda Gosei Haiphong Co., Ltd., commenced production at its Thai Binh Plant, its second plant, to meet globally growing airbag demand. It plans to enlarge the plant in 2021.

Additionally, we are actively expanding sales of high-value-added products to both domestic and overseas customers. Such products include aesthetically designed plated products, emblems that combine design with functionality in the form of permeability to millimeter wave radar, and resin fuel filler pipes and resin turbo ducts, both of which improve environmental performance by reducing vehicle weight through substitution of metal with resin.

The third pillar is "Innovative manufacturing at production sites." We have realized labor savings by automating certain (e.g., inspection) processes and reduced losses with IoT technologies. To reduce manpower requirements through automation, we commissioned a plastic fuel filler pipe production line as an "automated model plant" in a new building at our Heiwacho Plant in May 2019. Initiatives to reduce losses with IoT technologies include use of big-data analytics to reduce defect losses and reduction of equipment downtime losses through continuous visual monitoring of airbag inflator production status. We plan to deploy such innovations across our entire product line and also share them with affiliates in the aim of increasing Group-wide productivity.

In addition to the three key pillars of activity, we have been restructuring in pursuit of sustained growth. We completed our latest round of restructuring on December 30, 2019, with the divestment of German manufacturing subsidiary Toyoda Gosei Meteor GmbH (TGM) and U.S. manufacturing subsidiary Meteor Sealing Systems, LLC, to SCUR-Alpha 1123 GmbH (subsequently renamed AEQPH GmbH). We expect these divestments to be accretive to shareholder value going forward.

FY2019 revenue decreased 3.3% year on year to ¥812.9 billion as a result of depreciation in the U.S. dollar and Chinese renminbi against the yen and auto production cutbacks due to the COVID-19 pandemic since January.

Profits also decreased, with operating profit down 51.0% year on year to ¥17.8 billion and profit attributable to owners of the parent down 51.8% to ¥11.2 billion. Their decline was largely the result of a loss on liquidation of TGM in addition to decreased sales due to the pandemic. The dollar/yen exchange rate averaged ¥109 in FY2019 versus ¥111 in FY2018.

	(Millions of yen)	
Consolidated results	FY2019	FY2018
Revenue	812,937	840,714
Operating profit	17,888	36,525
Profit attributable to owners of parent	11,226	23,309

Revenue by segment

Japan

Revenue slipped 0.5% year on year to ¥405.1 billion, mainly as a result of the pandemic. Although the bottom line benefited from non-recurrence of a year-earlier loss on antitrust law, the segment ended up incurring a ¥5.0 billion loss (vs. ¥11.0 billion profit in previous fiscal year), largely because of the loss booked on TGM's liquidation in the third quarter coupled with a pandemic-induced sales decline.

Americas

Sales to Japanese and foreign automakers were tracking above their year-earlier level through February 2020 but FY2019 revenue ended up dropping 2.2% year on year to ¥243.5 billion, largely in response to adverse exchange rate movements and a March sales decline due to the pandemic. Profit was down 5.1% to ¥16.6 billion, largely as a result of decreased sales due to the pandemic.

Asia

Despite growth in major customers' Chinese production through January 2020, revenue decreased 5.8% year on year to ¥188.2 billion, largely because of the pandemic's impact in February and March, mainly in China. Profit fell 17.0% to ¥10.6 billion, mainly as a result of decreased sales in China and Thailand due to the pandemic and auto market weakness, respectively.

Europe & Africa

Revenue was down 20.4% year on year to ¥36.5 billion. Despite decreased sales due to the pandemic, the segment reduced its loss to ¥4.2 billion from ¥4.7 billion in the previous fiscal year, largely by virtue of TGM's deconsolidation in the third quarter.

	(Millions of yen)	
Revenue by segment	FY2019	FY2018
Japan	405,116	407,084
Americas	243,590	249,150
Asia	188,292	199,790
Europe & Africa	36,567	45,955

Outlook for FY2020

The COVID-19 pandemic renders accurate forecasting of customers' production practically impossible at present. We are consequently refraining from issuing an earnings forecast for FY2020 until we are reasonably able to forecast.

Financial condition

Analysis of financial position

1. Assets, liabilities, and equity

Assets at fiscal year-end totaled ¥709.1 billion, a ¥1.0 billion year-on-year increase driven mainly by an increase in property, plant and equipment. Liabilities totaled ¥338.9 billion, a ¥10.9 billion year-on-year increase due mainly to growth in borrowings.

Equity totaled ¥370.2 billion, a ¥9.8 billion year-on-year decrease mainly due to a reduction in other components of equity.

2. Cash flows

Cash and cash equivalents at the end of the fiscal year under review increased by ¥20.6 billion, from ¥107.3 billion at the end of the previous fiscal year, to ¥127.9 billion.

Cash flows and related factors during the fiscal year under review were as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥65.2 billion, an increase of ¥7.7 billion compared to ¥57.4 billion in the previous fiscal year. The increase resulted largely from a decrease in trade and other receivables.

Cash flows from investing activities

Investing activities used net cash of ¥54.1 billion, a ¥1.3 billion decrease from ¥55.4 billion in the previous fiscal year. The decrease was largely attributable to a reduction in purchases of property, plant and equipment and intangible assets.

Cash flows from financing activities

Financing activities provided net cash of ¥12.5 billion, an increase of ¥4.7 billion compared to ¥7.7 billion in the previous fiscal year. The increase was largely due to a reduction in repayments of long-term borrowings.

	(Millions of yen)	
Cash flows	FY2019	FY2018
Cash flows from operating activities	65,247	57,463
Cash flows from investing activities	(54,174)	(55,491)
Cash flows from financing activities	12,525	7,749

Consolidated Financial Statement

(Millions of yen)

Consolidated statement of financial position	FY2018 (as of March 31, 2019)	FY2019 (as of March 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	107,311	127,930
Trade and other receivables	179,791	142,062
Other financial assets	10,824	8,364
Inventories	63,647	63,925
Other current assets	20,531	17,282
Total current assets	382,106	359,565
Non-current assets		
Property, plant and equipment	257,728	273,479
Intangible assets	2,327	3,741
Other financial assets	39,190	32,244
Investments accounted for using equity method	13,897	14,252
Retirement benefit asset	3,722	2,603
Deferred tax assets	5,434	14,473
Other non-current assets	3,722	8,824
Total non-current assets	326,023	349,619
Total assets	708,129	709,185
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	140,660	119,083
Borrowings	32,396	44,657
Other financial liabilities	6,216	8,335
Income taxes payable	3,221	1,585
Provisions	1,499	1,881
Other current liabilities	10,313	5,110
Total current liabilities	194,309	180,653
Non-current liabilities		
Bonds and borrowings	93,089	103,399
Other financial liabilities	348	13,466
Retirement benefit liability	34,320	34,615
Provisions	115	107
Deferred tax liabilities	3,558	4,158
Other non-current liabilities	2,242	2,507
Total non-current liabilities	133,674	158,256
Total liabilities	327,983	338,909
Equity		
Share capital	28,027	28,027
Capital surplus	26,968	26,968
Treasury shares	(1,219)	(1,220)
Other components of equity	14,674	2,233
Retained earnings	285,669	289,061
Total equity attributable to owners of parent	354,120	345,070
Non-controlling interests	26,024	25,204
Total equity	380,145	370,275
Total liabilities and equity	708,129	709,185

(Millions of yen)

Consolidated statement of profit or loss	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Revenue	840,714	812,937
Cost of sales	(737,352)	(712,436)
Gross profit	103,362	100,501
Selling, general and administrative expenses	(62,387)	(61,523)
Other income	4,279	2,328
Other expenses	(8,728)	(23,417)
Operating profit	36,525	17,888
Finance income	2,669	2,843
Finance costs	(2,692)	(5,538)
Share of profit of investments accounted for using equity method	854	913
Profit before tax	37,356	16,106
Income tax expense	(11,245)	(2,265)
Profit	26,111	13,841
Profit attributable to		
Owners of parent	23,309	11,226
Non-controlling interests	2,801	2,614
Profit	26,111	13,841
Earnings per share		
Basic earnings per share (yen)	180.09	86.74
Diluted earnings per share (yen)	—	—

(Millions of yen)

Consolidated statement of comprehensive income	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Profit	26,111	13,841
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	(1,218)	(2,313)
Remeasurements of defined benefit plans	(460)	(467)
Share of other comprehensive income of investments accounted for using equity method	(33)	(17)
Total of items that will not be reclassified to profit or loss	(1,712)	(2,798)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,983	(11,061)
Share of other comprehensive income of investments accounted for using equity method	(120)	130
Total of items that may be reclassified to profit or loss	1,862	(10,931)
Other comprehensive income, net of tax	149	(13,729)
Comprehensive income	26,261	111
Comprehensive income attributable to		
Owners of parent	23,213	(1,281)
Non-controlling interests	3,047	1,393
Comprehensive income	26,261	111

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, 2018	28,027	29,055	(1,218)	(2,400)	16,726	—
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	1,618	(1,228)	(486)
Total comprehensive income	—	—	—	1,618	(1,228)	(486)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(2,086)	—	(41)	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	486
Total transactions with owners	—	(2,086)	(1)	(41)	—	486
Balance as of March 31, 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	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
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	—

	Equity attributable to owners of parent				
	Other components of equity	Retained earnings	Total	Non-controlling interests	Total
	Total	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2018	14,326	270,354	340,546	25,111	365,657
Profit	—	23,309	23,309	2,801	26,111
Other comprehensive income	(96)	—	(96)	246	149
Total comprehensive income	(96)	23,309	23,213	3,047	26,261
Purchase of treasury shares	—	—	(1)	—	(1)
Dividends	—	(7,508)	(7,508)	(2,737)	(10,246)
Changes in ownership interest in subsidiaries	(41)	—	(2,128)	603	(1,525)
Transfer from other components of equity to retained earnings	486	(486)	—	—	—
Total transactions with owners	444	(7,995)	(9,638)	(2,134)	(11,772)
Balance as of March 31, 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)
Changes in ownership interest in subsidiaries	—	—	—	—	—
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

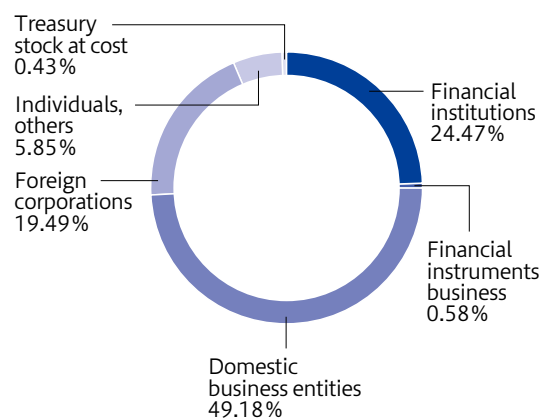
(Millions of yen)

Consolidated statement of cash flows	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before tax	37,356	16,106
Depreciation and amortization	33,789	37,498
Reversal of impairment loss	(1,519)	—
Loss on liquidation of operations	—	21,615
Finance income	(2,669)	(2,843)
Finance costs	2,830	2,912
Share of loss (profit) of investments accounted for using equity method	(854)	(913)
Loss (gain) on sale of fixed assets	590	398
Decrease (increase) in inventories	719	(4,943)
Decrease (increase) in trade and other receivables	(7,351)	28,965
Increase (decrease) in trade and other payables	5,008	(18,937)
Other	997	(3,229)
Subtotal	68,896	76,629
Interest received	1,835	2,141
Dividends received	1,042	975
Interest paid	(2,577)	(2,802)
Income taxes paid	(11,732)	(11,696)
Net cash provided by operating activities	57,463	65,247
Cash flows from investing activities		
Payments into time deposits	(14,249)	(13,677)
Proceeds from withdrawal of time deposits	9,964	15,815
Purchase of property, plant and equipment, and intangible assets	(49,479)	(46,385)
Proceeds from sale of property, plant and equipment, and intangible assets	1,327	826
Purchase of investments	(3,131)	(996)
Proceeds from sale of investments	40	1,542
Payments due to sale of shares in subsidiaries resulting in change in scope of consolidation	—	(11,428)
Other	35	128
Net cash used in investing activities	(55,491)	(54,174)
Cash flows from financing activities		
Proceeds from short-term borrowings	37,296	52,912
Repayments of short-term borrowings	(27,293)	(47,078)
Proceeds from long-term borrowings	31,462	24,227
Repayments of long-term borrowings	(25,787)	(5,272)
Dividends paid	(7,503)	(7,766)
Dividends paid to non-controlling interests	(2,742)	(2,328)
Proceeds from purchase of shares of subsidiaries not resulting in change in scope of consolidation	2,314	—
Other	2	(2,168)
Net cash provided by financing activities	7,749	12,525
Net increase (decrease) in cash and cash equivalents	9,721	23,597
Cash and cash equivalents at beginning of period	97,991	107,311
Effect of exchange rate changes on cash and cash equivalents	(401)	(2,979)
Cash and cash equivalents at end of period	107,311	127,930

Company and Investor Information (As of March 31, 2020)

Location of headquarters	1 Haruhinagahata, Kiyosu, Aichi, 452-8564, Japan	Common stock	Authorized 200,000,000 shares Issued 130,010,011 shares (Excluding 553,811 shares of treasury stock)
Date of establishment	June 15, 1949	Number of shareholders	9,459
Capital	¥28 billion	Stock exchange listings	Tokyo Stock Exchange and Nagoya Stock Exchange
Consolidated subsidiaries	57 (14 in Japan, 43 in other countries)	Shareholder registry administrator and special account management institution	Mitsubishi UFJ Trust and Banking Corporation
Equity method affiliated companies	6 (3 in Japan, 3 in other countries)	Securities code	7282
Number of employees	Consolidated: 39,403 Toyoda Gosei Co., Ltd.: 6,366		

Distribution for each type of shareholder



Major shareholders

Shareholder name	Number of shares held (unit: 1,000 shares)	Investment ratio (%)
Toyota Motor Corporation	55,459	42.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,990	6.17
Sumitomo Mitsui Banking Corporation	5,049	3.90
Japan Trustee Services Bank, Ltd. (Trust Account)	4,965	3.83
Nippon Life Insurance Company	1,592	1.23
The Dai-ichi Life Insurance Company, Ltd.	1,535	1.18
JP Morgan Chase Bank 385151	1,348	1.04
Toyoda Gosei Employee Stock Ownership Association	1,344	1.03
SSBTC Client Omnibus Account	1,326	1.02
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,313	1.01

Note: Share-holding stakes are calculated after deducting treasury shares.

Editorial policy

This report was compiled with the aim of providing shareholders, investors, and all other stakeholders with a deeper understanding of the Toyoda Gosei Group. It describes the FY2019 business performance of the Group and explains the Group's strategy and efforts for creating medium- and long-term value.

Since the 2018 report was issued, the Toyoda Gosei Report has been compiled as an integrated report. We have tried to make it straightforward and globally understandable, with reference to the International Integrated Reporting Framework (International Integrated Reporting Council (IIRC)) for the IR section and the GRI Standards (Global Reporting Initiative) for the ESG section.

Period covered by report

April 1, 2019 to March 31, 2020

Past efforts and the latest information are given as needed to promote understanding of disclosed content.

Scope

Toyoda Gosei Group

The scope is outlined individually for some items.

Date of issue

September 2020

Last published in September 2019; issued once a year

Reference guidelines

- International Integrated Reporting Framework (International Integrated Reporting Council (IIRC))
- GRI Standards (Global Reporting Initiative)
- Environmental Reporting Guidelines, 2018 Edition (Ministry of the Environment, Japan)
- Environmental Accounting Guidelines, 2005 Edition (Ministry of the Environment, Japan)

* Environmental data/examples are available on our website.
For CO₂ emissions we received third-party verification.
<https://www.toyoda-gosei.com/csr/environmental/report1/>

Disclaimer

Careful attention was paid to the content of this Report, but accuracy and the timing of updates are not guaranteed and Toyoda Gosei shall bear no responsibility for trouble, loss, or damage resulting from updates or errors in the information herein.

Recognition from society

Main indices selected in composite

- JPX Nikkei Index 400
- MSCI Japan Empowering Women Index (WIN)
- S&P/JPX Carbon Efficient Index

Ranking

- CDP: Supplier Engagement Rating 2019: A; Water Security Score 2019: A-; Climate Change Score 2019: A-
- WWF Japan: Third in transportation equipment sector in "Corporate Anti-Global Warming Measures Ranking"
- Nikkei, Inc.: Third in manufacturing category in "Environmental Management Survey 2019 Corporate Ranking"
- Securities Analysts Association of Japan: Second in automotive/automotive parts/tire division of the Award for Excellence in Corporate Disclosure



TOYODA GOSEI CO., LTD.

1 Haruhinagahata, Kiyosu, Aichi,
452-8564, Japan

Public Relations Dept., General Administration Division

Phone: +81-52-400-1452 Fax: +81-52-409-7491

<https://www.toyoda-gosei.com/>

