

# 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)
<b>Assets</b>		
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
<b>Liabilities and equity</b>		
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