

Financial Report

Consolidated 10-Year Financial Summary

J-GAAP		FY2009 (Fiscal year ended March 31, 2010)	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)
Operating results	Net sales	495,002	516,982	504,518	599,615	689,477
	Operating profit	26,202	29,952	20,415	36,706	43,798
	Ordinary profit	26,574	27,549	20,287	36,777	45,847
	Profit before income taxes	23,926	27,192	19,076	36,571	46,101
	Profit attributable to owners of parent* ¹	14,255	17,116	8,971	21,429	26,214
Financial position	Cash and deposits	67,783	56,586	70,715	79,073	92,364
	Current assets	198,537	183,293	229,238	244,798	279,281
	Property, plant and equipment	194,457	191,261	183,864	196,163	210,214
	Non-current assets	235,807	233,268	225,555	244,846	262,596
	Total assets	434,344	416,562	454,794	489,644	541,877
	Short-term loans payable* ²	19,355	20,200	23,300	35,978	39,069
	Current liabilities	130,857	123,379	149,968	157,748	168,136
	Bonds payable	10,000	10,000	—	—	—
	Long-term loans payable	34,245	19,348	34,397	23,329	31,138
	Non-current liabilities	73,572	59,107	67,457	59,751	73,462
	Total liabilities	204,429	182,487	217,426	217,500	241,598
	Shareholders' equity	221,724	233,365	238,400	255,201	275,840
	(Reference) Interest-bearing debt	63,600	49,548	57,698	59,307	70,207
Cash flows	Cash flows from operating activities	68,199	62,586	51,112	52,451	55,448
	Cash flows from investing activities	(36,574)	(52,579)	(37,027)	(40,989)	(45,680)
	Cash flows from financing activities	(7,426)	(18,785)	2,224	(6,128)	(732)
Key performance indicators	Return on sales (%)	2.9	3.3	1.8	3.6	3.8
	Total asset turnover (times)	1.20	1.22	1.16	1.27	1.34
	Equity ratio (%)	49.2	52.2	48.6	51.7	51.6
	Return on equity (ROE) (%)	6.9	7.9	4.1	9.0	9.8
	Capital investment	34,326	46,983	37,623	39,097	43,085
	Depreciation and amortization	43,007	44,481	41,964	38,633	38,743
	R&D expenses	26,066	25,617	25,936	27,279	29,170
	Number of employees at year-end (consolidated)	26,084	26,964	29,108	30,190	31,672
Per share information (yen)	Annual dividends	36.00	36.00	36.00	44.00	56.00
	Earnings per share (EPS)	110.19	132.27	69.33	165.63	202.54
	Dividend payout ratio (%)	32.67	27.22	51.93	26.57	27.65

*1 "Net income" for FY2010 or before

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

FY2014 (Fiscal year ended March 31, 2015)	FY2015 (Fiscal year ended March 31, 2016)	FY2016 (Fiscal year ended March 31, 2017)	FY2017 (Fiscal year ended March 31, 2018)
727,846	781,886	755,601	806,938
41,603	42,824	40,675	41,136
43,792	41,490	39,007	43,200
39,851	36,710	31,288	35,775
21,155	20,255	16,233	21,175
85,283	78,388	97,553	104,309
291,246	281,212	305,273	328,524
250,557	241,408	245,666	259,537
316,926	306,160	315,425	333,819
608,172	587,373	620,699	662,388
41,848	21,073	31,762	43,722
180,795	162,592	170,574	189,075
—	—	—	10,000
42,929	44,691	57,261	54,458
88,902	96,937	110,663	119,403
269,697	259,530	281,237	308,479
289,321	301,756	311,127	324,890
84,777	65,765	89,023	108,181
51,283	77,765	60,401	60,848
(62,432)	(56,261)	(82,131)	(39,201)
(238)	(24,736)	14,794	6,541
2.9	2.6	2.1	2.6
1.27	1.31	1.25	1.26
51.6	51.7	50.7	49.6
7.1	6.6	5.2	6.6
64,733	54,498	55,218	64,816
39,353	44,462	40,902	44,037
29,579	28,409	27,164	27,864
34,754	35,903	36,679	38,234
56.00	56.00	53.00	56.00
163.44	156.49	125.42	163.60
34.26	35.79	42.26	34.23

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

IFRS	FY2017 (Fiscal year ended March 31, 2018)	FY2018 (Fiscal year ended March 31, 2019)
Revenue	807,958	840,714
Operating profit	35,179	36,525
Profit before tax	35,507	37,356
Profit attributable to owners of parent	21,361	23,309
Cash and cash equivalents	97,991	107,311
Current assets	357,666	382,106
Property, plant and equipment	241,581	257,728
Non-current assets	321,819	326,023
Total assets	679,485	708,129
Borrowings	43,722	32,396
Current liabilities	195,392	194,309
Bonds and borrowings	64,511	93,089
Non-current liabilities	118,435	133,674
Total liabilities	313,828	327,983
Equity attributable to owners of parent		
(Reference) Interest-bearing debt	108,233	125,486
Cash flows from operating activities	44,004	57,463
Cash flows from investing activities	(21,832)	(55,491)
Cash flows from financing activities	5,966	7,749
Profit attributable to owners of parent ratio (%)	2.6	2.8
Total asset turnover (times)	1.23	1.21
Ratio of equity attributable to owners of parent to total assets (%)	50.1	50.0
Return on equity (ROE) (%)	6.4	6.7
Capital investment	53,411	46,891
Depreciation and amortization	32,545	32,927
R&D expenses	27,684	30,025
Number of employees at year-end (consolidated)	38,234	39,429
Annual dividends	56.00	60.00
Earnings per share (EPS)	165.04	180.09
Dividend payout ratio (%)	33.93	33.32

Financial Review

As of the first quarter of the fiscal year ended March 31, 2019, the Toyota Gosei Group has adopted IFRS with the objectives of increasing international comparability of financial reports in the capital market and further strengthening its business management globally.

Overview

Amid a growing sense of economic slowdown in the fiscal year under review, the global economy overall followed a gradual recovery trend, buoyed by solid economic growth in the United States.

In Japan, the effect of natural disasters and rising uncertainty about overseas economies led to a deeper sense of economic slowdown toward the end of the fiscal year.

The automobile industry remained strong on a global basis with the Japanese market maintaining upward momentum thanks to brisk sales of new models and expansion of emerging markets while the U.S. and Chinese markets plateaued.

Facing these circumstances, in May 2018, the Toyota Gosei Group announced the 2025 Business Plan, its new medium- to long-term business plan, in which it set out its goals as follows: “Toyota 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.”

The plan identifies three key pillars of activity that we will prioritize, in order to meet our management targets for fiscal 2025: revenue of ¥1 trillion, an operating profit margin of 8%, and ROE of 10%.

The first pillar is “venture into innovation, new mobility,” under which we are pursuing early commercialization in unconventional new domains through innovative technology. We successfully turned e-Rubber, a next-generation dielectric rubber made using our rubber materials technology, into the product Super BEAT, a heart surgery training simulator. We are now developing a business around high-value-added products in the medical field.

We are also focusing on development of a vertical gallium nitride (GaN) power semiconductor device that utilizes technology and expertise we have cultivated through development and production of blue light-emitting diodes (LEDs). In addition, we are developing products that respond to the radical transformation of the car itself.

To accelerate commercialization of these new technologies and products, we have established a corporate venture capital arm within the Company to invest agilely in startups expected to produce synergies with our core technologies.

The second key pillar of activity is a “strategy for growing markets/fields.” We have aggressively invested in capacity expansion in the Americas, which is an area underpinning

earnings, and sought to further expand earnings by promoting sales to both Japanese and non-Japanese customers. In China, which is the world’s largest market and is expected to keep growing, we adopted a policy of increasing the number of major customers. Accordingly, we improved our business management system, including turning our regional headquarters into a holding company. We also established Hubei Toyota Gosei Zheng Ao Rubber & Plastics Sealing Science and Technology Co., Ltd. with the aim of strengthening our production and sales system in the interior of China.

The third key pillar of activity is “innovative manufacturing at production sites.” In addition to activities to increase productivity on the production floor based on the Toyota Production System (TPS), we worked at improving efficiency using new IT. We are striving to quickly resolve bottlenecks by analyzing big data gathered from production processes.

In an effort to strengthen the business foundation that underpins these three key pillars of activity, last year we held our third TG Global Summit for the first time in three years. At the summit, the Group’s top leaders from around the world gathered to discuss the current status of business and issues, and we spread concrete initiative measures aimed at the achievement of management objectives throughout the Group.

In our European business, which is an issue, a drastic earnings improvement was not achieved. However, we resolved production confusion in the first half of the year, trimming losses in the second half of the year.

As a result of the above, in the fiscal year under review, revenue increased to ¥840.7 billion (up 4.1% year on year) thanks to the boost in sales of new car models in Japan, sales promotion in the Americas, and increased production by our major customers in Asia.

Despite posting a loss on anti-trust law in the second quarter, profit increased as a result of the boost in sales caused by new car models in Japan and our rationalization efforts, with operating profit of ¥36.5 billion (up 3.8%) and profit attributable to owners of parent of ¥23.3 billion (up 9.1%). The foreign exchange rate was ¥111 to the U.S. dollar during the previous consolidated fiscal year and during the consolidated fiscal year under review.

	(Millions of yen)	
Consolidated results	FY2018	FY2017
Revenue	840,714	807,958
Operating profit	36,525	35,179
Profit attributable to owners of parent	23,309	21,361

Revenue by segment

Japan

Revenue increased to ¥407.0 billion (up 6.2% year on year) due to increased sales of new car models by major customers. Despite posting a loss on anti-trust law in the second quarter, profit increased to ¥11.0 billion (up 4.4%), with the boost in sales of new car models being a contributing factor.

Americas

Sales promotion to both Japanese and non-Japanese customers increased revenue to ¥249.1 billion (up 3.3% year on year). Profit was ¥17.4 billion (up 9.5%), with the effect of higher sales and rationalization efforts offsetting downward factors such as a rise in labor costs.

Asia

Lifted mainly by an increase in production by Japanese customers, revenue increased to ¥199.7 billion (up 1.3% year on year). Profit was ¥12.7 billion (up 1.4%) as a result of the rise in sales.

Europe & Africa

Revenue was ¥45.9 billion (down 3.3% year on year) and a loss of ¥4.7 billion was posted (compared with a loss in the previous fiscal year of ¥4.1 billion) due to an increase in production reorganization costs in Europe.

(Millions of yen)

Revenue by segment	FY2018	FY2017
Japan	407,084	383,258
Americas	249,150	241,238
Asia	199,790	197,252
Europe & Africa	45,955	47,499

Outlook for fiscal 2019

It is extremely difficult to forecast the future prospects of the global economy due to protectionist trends in various countries and mounting geopolitical risk.

The auto industry is also in a critical situation, with a likelihood of fierce competition involving different types of business and other industries due to the rapid progress of electrification and self-driving vehicles.

Given such a harsh environment, we will conduct future-focused R&D, strengthen our product supply system inside and outside Japan, and make Group-wide rationalization efforts. Our forecast for results in fiscal 2019 is revenue of ¥845.0 billion, operating profit of ¥41.0 billion, profit before tax of ¥42.0 billion, and profit attributable to owners of parent of ¥25.0 billion.

We also anticipate a foreign exchange rate of ¥110 to the U.S. dollar.

Financial condition

Analysis of financial position

1. Assets, liabilities, and equity

Total assets at the end of the fiscal year under review increased by 28.6 billion yen year on year, to ¥708.1 billion, primarily as a result of a rise in fixed assets. Liabilities increased by ¥14.1 billion year on year, to ¥327.9 billion, mainly due to an increase in borrowings.

Equity rose by ¥14.4 billion year on year, to ¥380.1 billion, largely as a result of an increase in retained earnings.

2. Cash flows

Cash and cash equivalents at the end of the fiscal year under review increased by ¥9.3 billion, from ¥97.9 billion at the end of the previous fiscal year, to ¥107.3 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 ¥57.4 billion, an increase of ¥13.4 billion compared to ¥44.0 billion in the previous fiscal year.

• Cash flows from investing activities

Investing activities used net cash of ¥55.4 billion, an increase of ¥33.6 billion compared to ¥21.8 billion in the previous fiscal year. This was mainly due to a rise in payments into time deposits.

• Cash flows from financing activities

Financing activities provided net cash of ¥7.7 billion, an increase of ¥1.7 billion compared to ¥5.9 billion in the previous fiscal year. This was mainly due to a rise in proceeds from short-term borrowings.

(Millions of yen)

Cash flows	FY2018	FY2017
Cash flows from operating activities	57,463	44,004
Cash flows from investing activities	(55,491)	(21,832)
Cash flows from financing activities	7,749	5,966

(Millions of yen)

Consolidated Statement of Financial Position	Date of transition to IFRS (April 1, 2017)	FY2017 (as of March 31, 2018)	FY2018 (as of March 31, 2019)
Assets			
Current assets			
Cash and cash equivalents	69,918	97,991	107,311
Trade and other receivables	159,066	172,480	179,791
Other financial assets	27,685	7,154	10,824
Inventories	63,334	63,989	63,647
Other current assets	9,973	16,049	20,531
Total current assets	<u>329,977</u>	<u>357,666</u>	<u>382,106</u>
Non-current assets			
Property, plant and equipment	233,659	241,581	257,728
Intangible assets	1,906	2,316	2,327
Other financial assets	46,599	51,826	39,190
Investments accounted for using equity method	13,446	13,470	13,897
Retirement benefit asset	4,553	4,435	3,722
Deferred tax assets	5,304	4,859	5,434
Other non-current assets	3,438	3,329	3,722
Total non-current assets	<u>308,909</u>	<u>321,819</u>	<u>326,023</u>
Total assets	<u>638,887</u>	<u>679,485</u>	<u>708,129</u>
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	125,689	132,758	140,660
Borrowings	31,762	43,722	32,396
Other financial liabilities	5,777	5,750	6,216
Income taxes payable	3,429	3,704	3,221
Provisions	1,363	1,252	1,499
Other current liabilities	8,295	8,204	10,313
Total current liabilities	<u>176,317</u>	<u>195,392</u>	<u>194,309</u>
Non-current liabilities			
Bonds and borrowings	58,955	64,511	93,089
Other financial liabilities	12,123	14,677	348
Retirement benefit liability	32,033	33,447	34,320
Provisions	93	92	115
Deferred tax liabilities	5,283	3,618	3,558
Other non-current liabilities	2,176	2,089	2,242
Total non-current liabilities	<u>110,665</u>	<u>118,435</u>	<u>133,674</u>
Total liabilities	<u>286,983</u>	<u>313,828</u>	<u>327,983</u>
Equity			
Share capital	28,027	28,027	28,027
Capital surplus	29,314	29,055	26,968
Treasury shares	(1,216)	(1,218)	(1,219)
Other components of equity	14,688	14,326	14,674
Retained earnings	256,467	270,354	285,669
Total equity attributable to owners of parent	<u>327,282</u>	<u>340,546</u>	<u>354,120</u>
Non-controlling interests	24,621	25,111	26,024
Total equity	<u>351,903</u>	<u>365,657</u>	<u>380,145</u>
Total liabilities and equity	<u>638,887</u>	<u>679,485</u>	<u>708,129</u>

(Millions of yen)

Consolidated Statement of Profit or Loss	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Revenue	807,958	840,714
Cost of sales	(705,857)	(737,352)
Gross profit	102,101	103,362
Selling, general and administrative expenses	(60,567)	(62,387)
Other income	4,164	4,279
Other expenses	(10,518)	(8,728)
Operating profit	35,179	36,525
Finance income	2,186	2,669
Finance costs	(2,903)	(2,692)
Share of profit of investments accounted for using equity method	1,044	854
Profit before tax	35,507	37,356
Income tax expense	(10,982)	(11,245)
Profit	24,525	26,111
Profit attributable to		
Owners of parent	21,361	23,309
Non-controlling interests	3,163	2,801
Profit	24,525	26,111
Earnings per share		
Basic earnings per share (yen)	165.04	180.09

(Millions of yen)

Consolidated Statement of Comprehensive Income	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Profit	24,525	26,111
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,041	(1,218)
Remeasurements of defined benefit plans	(331)	(460)
Share of other comprehensive income of investments accounted for using equity method	144	(33)
Total of items that will not be reclassified to profit or loss	1,854	(1,712)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,922)	1,983
Share of other comprehensive income of investments accounted for using equity method	(272)	(120)
Total of items that may be reclassified to profit or loss	(2,195)	1,862
Other comprehensive income, net of tax	(340)	149
Comprehensive income	24,185	26,261
Comprehensive income attributable to		
Owners of parent	20,774	23,213
Non-controlling interests	3,411	3,047
Comprehensive income	24,185	26,261

(Millions of yen)

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	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of April 1, 2017	28,027	29,314	(1,216)	—	14,688	—
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(2,400)	2,038	(225)
Total comprehensive income	—	—	—	(2,400)	2,038	(225)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	(258)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	225
Total transactions with owners	—	(258)	(1)	—	—	225
Balance as of March 31, 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	—

	Equity attributable to owners of parent				
	Other components of equity	Retained earnings	Total	Non-controlling interests	Total
	Total				
Balance as of April 1, 2017	14,688	256,467	327,282	24,621	351,903
Profit	—	21,361	21,361	3,163	24,525
Other comprehensive income	(587)	—	(587)	247	(340)
Total comprehensive income	(587)	21,361	20,774	3,411	24,185
Purchase of treasury shares	—	—	(1)	—	(1)
Dividends	—	(7,249)	(7,249)	(2,235)	(9,485)
Changes in ownership interest in subsidiaries	—	—	(258)	(685)	(944)
Transfer from other components of equity to retained earnings	225	(225)	—	—	—
Total transactions with owners	225	(7,474)	(7,510)	(2,921)	(10,431)
Balance as of March 31, 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

(Millions of yen)

Consolidated Statement of Cash Flows	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before tax	35,507	37,356
Depreciation and amortization	32,535	33,789
Finance income	(3,824)	(2,669)
Finance costs	2,144	2,830
Share of loss (profit) of investments accounted for using equity method	(1,044)	(854)
Loss (gain) on sale of fixed assets	(342)	590
Decrease (increase) in inventories	(550)	719
Decrease (increase) in trade and other receivables	(13,675)	(7,351)
Increase (decrease) in trade and other payables	4,215	5,008
Other	1,740	(522)
Subtotal	56,707	68,896
Interest received	1,602	1,835
Dividends received	899	1,042
Interest paid	(2,130)	(2,577)
Income taxes paid	(13,074)	(11,732)
Net cash provided by operating activities	44,004	57,463
Cash flows from investing activities		
Payments into time deposits	(3,618)	(14,249)
Proceeds from withdrawal of time deposits	25,025	9,964
Purchase of property, plant and equipment, and intangible assets	(43,495)	(49,479)
Proceeds from sale of property, plant and equipment, and intangible assets	2,449	1,327
Purchase of investments	(2,583)	(3,131)
Proceeds from sale and redemption of investments	410	40
Other	(19)	35
Net cash used in investing activities	(21,832)	(55,491)
Cash flows from financing activities		
Proceeds from short-term borrowings	21,598	37,296
Repayments of short-term borrowings	(21,400)	(27,293)
Proceeds from long-term borrowings	24,187	31,462
Repayments of long-term borrowings	(13,943)	(25,787)
Proceeds from bonds payable	9,954	—
Purchase of treasury shares	(1)	(1)
Dividends paid	(7,248)	(7,503)
Dividends paid to non-controlling interests	(2,235)	(2,742)
Capital contribution from non-controlling interests	163	—
Repayments to non-controlling shareholders	(649)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,866)	—
Proceeds from purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	2,314
Other	(591)	3
Net cash provided by financing activities	5,966	7,749
Net increase (decrease) in cash and cash equivalents	28,138	9,721
Cash and cash equivalents at beginning of period	69,918	97,991
Effect of exchange rate changes on cash and cash equivalents	(65)	(401)
Cash and cash equivalents at end of period	97,991	107,311