

# Financial Report

## Management's Discussion and Analysis of Financial Conditions and Operating Results

### Overview of fiscal year

In the automobile industry during the fiscal year under review (year ended March 31, 2016), in the United States the volume of vehicle sales, centring on SUVs and pickup trucks, posted an increase supported by low gasoline prices and moderate economic growth. In Europe, unit sales of vehicles also trended firmly due to an improvement in the economy. On the other hand, difficult circumstances continued in China, Thailand and other Asian countries along with slowing economic growth. In Japan, the volume of sales of standard-sized cars was maintained at the same level of the previous year thanks to the introduction of popular new models. However, there was a reactionary decline in previously strong sales of mini-vehicles following a surge in demand prior to an increase in the tax rate on mini-vehicles. As a result, a mild downtrend in overall vehicle sales in Japan is continuing.

Amid these conditions, the Toyota Boshoku group has designated the two-year period up to fiscal 2016 as a time for strengthening our corporate structure and will once again return to our starting point and solidify our footing and carry out structural reforms.

Regarding technology development, based on the concept of Toyota New Global Architecture (TNGA), we developed a new standard frame for seats installed in the new model Prius.

In May 2015, Boeing 767-300 aircraft fitted with Toyota Boshoku's first aircraft seats began service on domestic routes operated by All Nippon Airways Co., Ltd.

For measures to strengthen our profit structure, in The Americas we promoted profit structure reforms based on the two pillars of "a thorough focus on the fundamentals of manufacturing" and "profit reform initiatives." As a result of these measures, we steadily made improvements in such areas as serious accidents, quality defects and delivery deficiencies and are transforming toward a corporate structure that can generate profits.

In Europe, we have made company-wide efforts to promote profit reforms. However, we concluded that to establish a viable business, we must execute drastic reforms that extend even one step farther. To avoid incurring even wider losses in the future, we therefore sold all our shares in three plants of Boshoku Automotive Europe as well as in Boshoku Automotive Poland and Boshoku Automotive Czech. Also, with the exception of the automobile seats business, we sold the automobile interior components business of Toyota Boshoku Europe's Munich branch. On the other hand, in working toward sustainable growth in the future, Toyota Boshoku established Megatech Boshoku Europe as a joint venture with the buyer of the shares to continue undertaking the door trim business that utilises our natural fibre-simultaneous back injection technology, which is

our independently developed production technology.

Due to such factors as a change in the vehicle model mix in Japan and the impact of exchange rates, consolidated net sales of the Toyota Boshoku group increased 110,270 million yen (8.4%) to 1,415,772 million yen.

### Operating income

Despite such income-reducing factors as increases in miscellaneous expenses such as production preparation expenses accompanying model changes for principal vehicle models, operating income increased 27,099 million yen (83.7%) to 59,492 million yen due to such income-increasing factors as the impact of higher sales and the implementation of rationalisation measures.

### Non-operating income (expenses) and Ordinary income

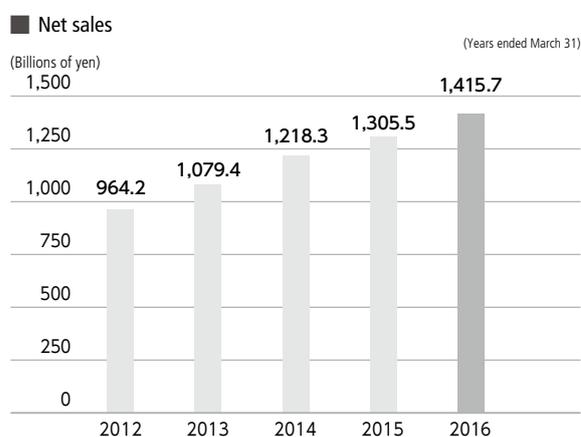
Non-operating income decreased 6,513 million yen (49.2%) from the previous fiscal year to 6,722 million yen due to a decrease in equity of net earnings of affiliates.

Non-operating expenses increased 5,553 million yen (122.4%) to 10,092 million yen due to the impact of exchange rates.

As a result, ordinary income amounted to 56,123 million yen and the ordinary income margin was 4.0%.

### Extraordinary income or loss, Income taxes and Income taxes-deferred

An extraordinary loss of 32,177 million yen was recorded mainly due to such factors as a loss on business liquidation in the Europe & Africa region.





IR Library

- Scope of consolidation
- Application of the equity method

The consolidated financial statements include the accounts for all subsidiaries. Investments in all affiliates are accounted for by the equity method. The fiscal years for certain affiliates accounted for by the equity method are different from that of the Company. The Company is using the financial statements for their respective fiscal years.

Income taxes and income taxes–deferred decreased 1,673 million yen (11.6%) to 12,713 million yen.

The ratio of income before income taxes decreased from 57.9% in the previous fiscal year to 53.1%.

### Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased 2,088 million yen (39.8%) to 7,331 million yen from the previous fiscal year due mainly to increases in profits of consolidated subsidiaries in Asia & Oceania.

### Profit attributable to owners of parent

Profit attributable to owners of parent decreased 1,303 million yen (25.0%) to 3,900 million yen from the previous fiscal year. Net income per share was 21.02 yen.

### Cash flow

Net cash provided by operating activities amounted to 78,912 million yen. Despite such cash-decreasing factors as an increase in trade notes and accounts receivable of 19,430 million yen and income taxes paid of 18,808 million yen, the increase in cash resulted mainly from income before income taxes of 23,945 million yen and depreciation and amortisation of 41,012 million yen.

Net cash used in investing activities was 48,086 million yen. Despite such cash-increasing factors as proceeds from sales of property, plant and equipment of 2,249 million yen and proceeds from withdrawal of time deposits of 1,073 million yen, this was due

to such cash outflows as purchase of property, plant and equipment of 36,392 million yen and payments for the transfer and receipt of a business of 9,700 million yen.

Net cash used in financing activities was 8,739 million yen. Despite such cash-increasing factors as a net increase in short-term loans payable of 12,350 million yen, cash decreased due to repayments of long-term loans payable of 39,468 million yen.

### Capital expenditures

During the fiscal year under review, total capital expenditures amounted to 36,898 million yen and these investments were concentrated on measures for new products and for rationalising and upgrading production facilities. These consisted mainly of capital expenditures in Japan as well as The Americas and China.

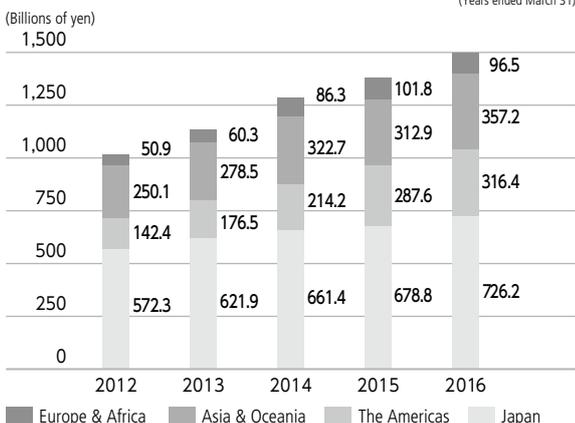
Capital expenditures in Japan amounted to 15,141 million yen and were for measures for new products and for rationalising and upgrading production facilities.

Capital expenditures in The Americas amounted to 5,149 million yen and were mainly for measures for new products and for rationalising and upgrading production facilities.

Capital expenditures in Asia & Oceania amounted to 12,307 million yen and were mainly for measures for new products, rationalising and upgrading production facilities and for the preparation for production at Shenyang Toyota Boshoku Automotive Parts.

Capital expenditures in Europe & Africa were 4,300 million yen and were mainly for measures for new products and rationalising and upgrading production facilities.

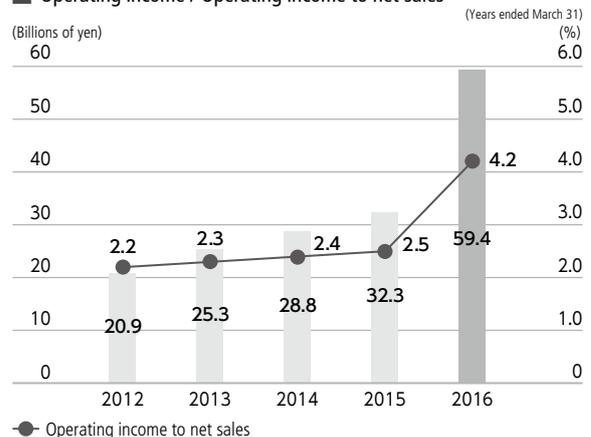
#### Net sales by geographic region



\*Asia & Oceania includes China.

\*Adjusted amounts for transactions among regions are not included.

#### Operating income / Operating income to net sales

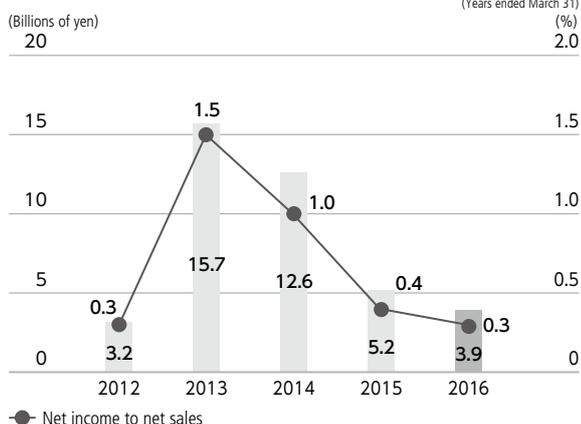


# 10-Year Financial Summary

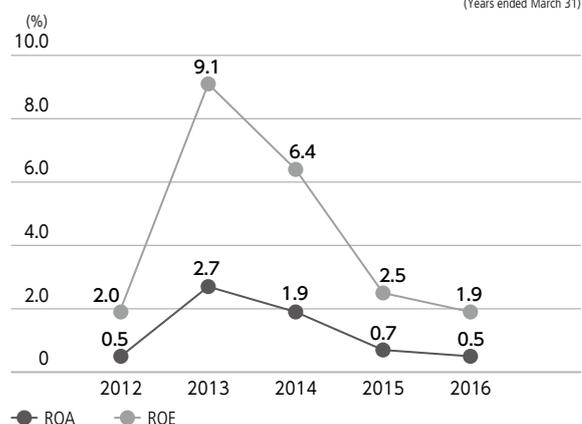
	2016	2015	2014	2013
Net sales	¥ <b>1,415,772</b>	¥ 1,305,502	¥ 1,218,399	¥ 1,079,497
Operating income	<b>59,492</b>	32,393	28,823	25,302
Ordinary income	<b>56,123</b>	41,091	40,294	33,914
Profit attributable to owners of parent	<b>3,900</b>	5,204	12,610	15,792
Total net assets	<b>243,146</b>	264,038	249,082	220,740
Capital stock	<b>8,400</b>	8,400	8,400	8,400
Total assets	<b>725,895</b>	719,680	659,008	583,955
Capital expenditures	<b>36,898</b>	50,190	51,116	36,805
Depreciation and amortisation	<b>41,012</b>	40,121	36,302	32,744
R&D expenses	<b>38,450</b>	38,821	40,189	36,321
<b>Per Share Data (Yen)</b>				
Net income (loss) (Basic)	¥ <b>21.02</b>	¥ 28.08	¥ 68.05	¥ 85.23
Net income (Diluted)*	<b>21.02</b>	—	—	—
Cash dividends	<b>30.00</b>	18.00	18.00	18.00
Net assets	<b>1,065.72</b>	1,164.36	1,115.69	1,010.49
<b>Cash Flow</b>				
Net cash provided by operating activities	¥ <b>78,912</b>	¥ 65,536	¥ 49,590	¥ 44,474
Net cash provided by (used in) investing activities	<b>(48,086)</b>	(51,615)	(51,867)	5,826
Net cash provided by (used in) financing activities	<b>(8,739)</b>	516	(5,636)	(41,942)
Cash and cash equivalents	<b>160,904</b>	143,493	126,648	129,323
<b>Financial Indicators (%)</b>				
Operating income to net sales	<b>4.2</b>	2.5	2.4	2.3
Ordinary income to net sales	<b>4.0</b>	3.1	3.3	3.1
Return on assets (ROA)	<b>0.5</b>	0.7	1.9	2.7
Return on equity (ROE)	<b>1.9</b>	2.5	6.4	9.1
Capital adequacy ratio	<b>27.3</b>	30.0	31.4	32.1
<b>Shareholders' Equity (at fiscal year-end)</b>				
Number of shares issued (Thousands)	<b>187,665</b>	187,665	187,665	187,665
Number of employees	<b>41,624</b>	41,509	38,198	32,986

\* Despite the existence of latent shares, net income per share after adjustment for latent shares in fiscal 2009 is not stated because of a net loss per share. With regard to diluted net income per share of common stock in 2012, 2013, 2014 and 2015, there were no latent shares with dilutive effects.

## Profit attributable to owners of parent / Net income to net sales



## Return on assets (ROA) / Return on equity (ROE)



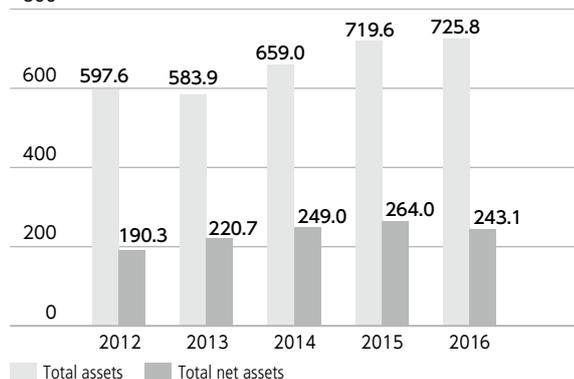
Millions of yen

	2012	2011	2010	2009	2008	2007
¥	964,295	¥ 983,727	¥ 953,729	¥ 979,775	¥ 1,233,789	¥ 1,082,755
	20,910	36,856	25,143	14,054	65,596	48,381
	23,225	36,027	24,067	13,292	65,696	52,143
	3,232	11,466	6,882	(5,064)	40,720	30,105
	190,347	196,992	196,545	189,038	226,880	197,797
	8,400	8,400	8,400	8,400	8,400	8,400
	597,654	504,472	546,486	466,506	527,622	464,747
	37,583	41,229	43,076	60,496	52,961	47,550
	31,529	32,342	35,121	31,672	32,940	29,377
	32,543	32,434	30,021	28,968	31,717	26,404
¥	17.45	¥ 61.82	¥ 37.00	¥ (27.15)	¥ 217.76	¥ 160.76
	—	61.82	37.00	—	217.55	160.70
	16.00	16.00	13.00	20.00	35.00	24.00
	868.93	890.78	883.96	848.01	997.43	858.86
¥	46,920	¥ 60,630	¥ 64,188	¥ 35,111	¥ 72,371	¥ 72,157
	(76,108)	(40,462)	(41,337)	(67,739)	(52,434)	(45,948)
	30,748	(15,345)	(13,547)	47,525	16,053	(5,885)
	113,947	113,950	113,124	102,457	92,280	60,089
	2.2	3.7	2.6	1.4	5.3	4.5
	2.4	3.7	2.5	1.4	5.3	4.8
	0.5	2.3	1.3	—	7.7	6.5
	2.0	7.0	4.3	(2.9)	23.5	20.5
	26.9	32.7	30.1	33.9	35.3	34.6
	187,665	187,665	187,665	187,665	187,665	187,665
	31,883	27,856	27,613	27,078	26,942	24,643

## ■ Total assets / Total net assets

(Billions of yen)

(Years ended March 31)



## ■ Capital expenditures / Depreciation and amortisation

(Billions of yen)

(Years ended March 31)

