

Interview with Outside Officers

Two outside officers, Mr. Wada and Mr. Yokoi, who took office in June 2023, discussed governance and the 2030 Business Plan.



Takashi Wada
Outside Director

Masahiko Yokoi
Outside Audit &
Supervisory Board Member

We have great expectations for the growth of Toyoda Gosei, which aims to bring together the future dreams of its stakeholders by providing value in safety, comfort, and decarbonization.

▶ Chapter 1:

Providing a push when making big decisions and major changes needed to strengthen corporate governance

Wada: I joined Sanken Electric in 1979, whose main products are semiconductors, electronic components, and power supply systems, and have been with the company for over 40 years. My first assignment was in the Information Systems Department, where for about 20 years I installed ever-changing IT technologies, from host

computers to online systems, at sales and production sites. Since I experienced the first period of digitalization in Japan and the world, I am open-minded about implementing DX, which has attracted growing attention recently.

After that, I was involved in a wide range of areas, including the secretarial section, materials and production management, and factory and production control, and from 2015, I served as president for six years and chairman for one year. At the time of my appointment as president, the company was in a very difficult situation in terms of performance and finances due to the lingering

effects of the Great East Japan Earthquake and other factors, and we were proceeding with large-scale structural reforms and new growth strategies at the same time. Despite the difficult business environment, we invested in R&D to strengthen our development capabilities, which are the seeds of sustainable growth. With regard to work styles, we launched a project called the New Normal Project led by young employees and established an operations center to implement reforms in work styles, and were among the first to introduce the abolition of uniforms, a flextime system, an open plan system, remote meetings, and other measures. Thanks to these efforts, a teleworking system was almost fully in place at the onset of the COVID-19 pandemic, enabling us to minimize disruptions to conducting work due to the spread of the infection.

I have the impression that Toyoda Gosei has a no-nonsense corporate culture and a DNA of steadily accumulating runs through hits rather than trying to slug one-hit home runs. This culture is quite similar to Sanken Electric, and has both good and bad points at times. For example, when major changes or decisions need to be made, there is hesitation. I think one major role of an outside director is to give a push to management when it is in doubt. On the other hand, this position has the important role of supervising management execution, and I think there are things that the execution side does not want to be known or, if possible, does not want to say. Having been in the execution position in Sanken Electric, I understand that well, but in order to overcome difficult issues, it is essential to build a relationship of trust and a sense of unity, and communication is the only way to achieve this. I hope to be in a position where I can consult with the corporate officers and everyone on site about any doubts they may have as they share information with me. I have experienced a number of tough management decisions in an industry different from Toyoda Gosei, and I have no vested interest, so I hope that my experience will be of some help.

➤ **Strengthening crisis management to remain a company of integrity**

Yokoi: My career is completely different from Mr. Wada. I became a reporter for the Asahi Shimbun in 1978 and have been at the forefront of the media world ever since.

When I was a correspondent in New York, I encountered the Tylenol Incident, in which a lethal drug was mixed into a fever medicine and several people who took it died. It is considered the gold standard of risk management. When I analyzed the company's response in my own way, I found two key points. The first was that the company's credo clearly prioritized its stakeholders, with the number one priority being the customer, or end user. Another was the overwhelming speed with which the company responded to prevent the damage from spreading. They were able to make quick decisions because they were completely unwavering in their basic principles of what the company valued most.

Later, as head of the society department and editorial bureau of the Asahi Shimbun's Tokyo headquarters, I was in a position to uncover a series of suspected cases that led to corporate fraud and a political administration change. On the other hand, as a media outlet representing Japan, I was often denounced by society and other media outlets, and I experienced five press conferences to explain and apologize for my reporting, and I learned firsthand that if you do not act with integrity and speed when something goes wrong, it can be fatal. Based on this experience, the first thing I did when I became president of Nagoya Broadcasting Network was to create a crisis management team of three elite department heads in order to rebuild a crisis management system. I also reviewed the regulations pertaining to internal controls to ensure that we do not betray the trust of viewers, which is the most important factor in the media.

As an outside Audit & Supervisory Board member for Toyoda Gosei, one of the things I must fulfill is to help with crisis management. Toyoda Gosei is a sincere company and has probably had very few crises that have shaken its management. I would like to help create a system that, when an emergency occurs, concentrates information and makes decisions immediately based on the principle of what we should protect.

The next area in which I would like to help is with internal regulations. Internal regulations, especially those related to internal controls, show what the organization values most. Toyoda Gosei is a B to B company, so in the past, we may have been oriented toward automobile manufacturers, our direct customers, but as Toyoda Gosei expands its business domains in the future, it will

be necessary to let end users and the rest of the world know what the company values and to have them recognize the value in its existence. I would like to utilize my experience in the media to assist in this regard.

Chapter 2:

A corporate culture that welcomes diverse opinions from outside officers

Wada: Toyota Gosei's Board of Directors has been very good in that it takes the time to provide us, the outside officers, with a thorough explanation in advance and that the business divisions and people on the front lines provide us with a lot of information. I believe that in the future, as our understanding of each of our businesses progresses, we will build up to full-fledged discussions at board meetings. We are also provided with opportunities to have specific topics for outside officers explained to us, so we are beginning to share a common understanding of issues based on our respective skills and areas of expertise.

Yokoi: As Mr. Wada mentioned earlier, our role is to encourage while closely monitoring execution. We do not want to give rubber-stamp approval, but rather want to provide support while discerning the direction that should be taken in the future. To do this, it is of utmost importance to stimulate discussion at board meetings. This is not an easy task, but the chairperson encourages attendees to speak up, and is working to ensure that the president and others on the executive side have an

appropriate sense of urgency. The effectiveness of the Board of Directors has been further enhanced by diverse viewpoints and active discussions, and this is a very positive step in the right direction.

Wada: In this era of VUCA (volatility, uncertainty, complexity, and ambiguity), various structural changes are taking place, and the automobile industry is undergoing a once-in-a-century transformation. This is an important period of change for the company, and it would be a good idea to add speed and challenge above all else to the values of our employees. If each and every employee of the Toyoda Gosei Group can take a step forward with the mindset of not being afraid of failure, speeding up, taking on challenges, and never giving up, we will be closer to achieving the 2030 Business Plan.

Yokoi: The expectations of the times and of society for Toyoda Gosei have been gradually changing. Is it really enough for us to continue with our past approach of professionalism, which is to perfectly complete the work we have been contracted to do? In order to venture into new business areas, it is necessary to have a corporate culture that matches the new business areas. In his presentation of the 2030 Business Plan, company president Saito spoke passionately about his attachment to rubber and plastics, the roots of the Company's business, and he linked their chemical structures to organization theory through the term "polymers." He also expressed his strong commitment to change this company through his specialty, which is human resources. I felt that Mr. Saito has become the president at the right time.

From now on, we must actively communicate to not only shareholders, employees, and business partners, but also to the wider public so that they feel that they can entrust their lives to this company because of its products, they can join this company and trust that it will take their lives on the right path, or they want to form an alliance with this company.

Wada: Toyoda Gosei is a Toyota Group company in which Toyota Motor Corporation holds more than 40% of the shares and accounts for more than half of its sales. This fact remains unchanged, so it is absolutely necessary for us to grow by leveraging the strengths of



the Group. Conversely, if the concentric circles of the Group are broken up when the Toyota Group implements its once-in-a-century transformation and competes with automakers around the world, the Japanese auto industry will be weakened, and so I believe that now is the time to focus on Group growth.

However, looking ahead, we should consider creating the seeds for Toyoda Gosei to grow as an individual and to put its growth on track. We must aim for growth through our own creativity and power, rather than leaving it to others. It is the role of outside officers such as myself to offer our opinions and push them forward.

Chapter 3:

Achieving the 2030 Business Plan

Wada: In the 2030 Business Plan, we set management targets of 1.2 trillion yen in sales revenue and 100 billion yen in operating profit, but investors will judge whether these targets are large or small. As a manufacturer, Toyoda Gosei's first major goal is to generate profits from its products and to create value for society by ensuring that customers and end-users also value the quality of its products. Since it is our employees who actually create that value, it is most important that our goals are incorporated into each of our business divisions and that each and every employee is able to understand these goals and link them to action. In addition, we must also evaluate whether or not the resources for those actions is sufficient.

The other day, I told the president that we should visualize the skill map of the entire human capital and quickly evaluate which skills are lacking and which are too much. Only then can we create an effective training plan for individual personnel, and thus set targets for enhancing the workforce. Without such an assessment, the company will only be able to take partial measures, such as hiring mid-career workers due to a lack of expertise in a certain area, and it is difficult to succeed this way. The same is true for women's advancement. The objective is not to create female section managers for the target of 100 female managers in Toyoda Gosei in Japan, but rather to quickly incorporate women's thinking into management. It is important to think about how to first develop section managers, and from there, develop them into division managers and corporate officers. This



will also require an inventory of employee skills. It is important to approach essential issues with a firm grasp of the overall picture.

Yokoi: Medium- to long-term management plans have two objectives. One is to provide a specific itinerary for growth, and the other is to share the goal of what kind of company it will be in the future with its stakeholders. The plan works well in terms of visualizing the goals. It makes clear management's will to be this kind of company. The plan is not about abstract compliance, but rather it is a declaration of what we will follow and what we will comply with. We have demonstrated the first step in this direction.

Toyoda Gosei is a company that will grow through the pursuit of safety and comfort. With regard to carbon neutrality, we will not only prevent harm from being done to the environment but also make it our corporate mission to do business with a focus on decarbonization. In other words, we are a company that brings together the future dreams of its stakeholders. I have great expectations for this vision.

Wada: That's right. As a corporate group that creates social value in line with the times and delivers it in a timely manner, I would like to do my utmost to support Toyoda Gosei's strategies and challenges so that our stakeholders will support us.