

## Message from the President



### **We will transform into a “polymer-like organization” that excels in responsiveness to changes, speed, and dynamism**

My name is Katsumi Saito, and I assumed the position of president in June 2023. I am once again aware of the weight of responsibility and the great potential power of the Toyoda Gosei Group as I am now in a position to influence the lives of many people, including our 40,000 global employees, their families, and our business partners, and to take the helm to achieve sustainable growth and development in a time of great change in the automotive industry.

I am a car enthusiast by nature. My family ran an auto repair shop, so cars have been a part of my life since I

was a child. In my job search, I researched companies in various industries, but I came to the conclusion that I wanted to work for a company that is involved in the automobile industry, which I love so much. In particular, I was attracted to suppliers that can be involved in a wide range of automobile manufacturing, and among them, the potential of polymer technologies such as rubber and plastics, and I made the decision to join Toyoda Gosei. Our company's polymer technology, which I was strongly attracted to at the time, has been steadily evolving and still has great potential to support corporate growth and development.

Originating from the rubber research department of Toyoda Automatic Loom Works, Toyoda Gosei has long been involved in polymer technology. For more than 70 years, we have been providing products and services with high functionality and quality based on rubber,

# ONE TEAM,

**In today's world where the global market structure is undergoing major changes, we aim to become a company that can make its presence known through our "KOBUNSHI" based on the polymer technology that we have developed over many years.**

**Katsumi Saito**

President, CEO

plastic, and their formulation and processing technologies, and this has been a major strength that has enhanced our competitive advantage. In assuming the position of president this time, we have drawn up the vision of the company based on what I have personally felt through my past experiences. We have been and will continue to pursue and deepen our expertise in polymer-related technologies. By energizing our people and organization, we would like to become a company where people think "Toyoda Gosei is an interesting company" and "this is a company that benefits people."

I have learned from my experience that work nurtures and builds people. I would like to build a strong and flexible organization by further developing the mindset and actions that we have cultivated through our long history of manufacturing products based on polymer

materials.

Polymers are large molecules made by combining small unit molecules. By linking these molecules together, materials with a wide variety of functions and properties are created. Having been involved in human resource management for many years, I view people and organizations in the same way. When people with diverse values gather and mingle with each other, creativity is produced and also organizations and institutions, both inside and outside the company, are joined together. By forming a polymer-like organization, we can bring together creativity, teamwork, and power through chemical reactions and molecular bonding that make the most of individuality.

In order to cope with an uncertain business environment where the future is unclear, including changes in people's sense of values, increasingly complex environmental and social issues, and growing

geopolitical risks, the people and our organizations must become more organically connected to think flexibly and to adapt to changes in form on the fly. We will build a corporate culture that excels in responsiveness to environmental changes, speed, and dynamism. We will become a company that people think of as interesting and that benefits people by having each individual change and make changes boldly without fear of failure, take on challenges, and attract, seize, and create opportunities.

### Reexamining the value of our own existence, we have formulated a new business plan that aims to achieve both social and economic value

#### <FY2022 in Review>

In FY2022, we worked to create a system that could flexibly respond to changes in the business environment and generate profits. We made improvements throughout the entire value chain, with a focus on the Americas, which had significant profitability issues, based on the three pillars of reducing cost beyond conventional levels, limiting the impact of material market conditions, and responding to production volume fluctuations. Although the implementation of these measures was generally successful, there was a greater drop in production than we had anticipated, mainly in the Japanese domestic market, as a shortage of semiconductors prevented the production of luxury car models. As a result, the product mix worsened, and although sales revenue grew, operating profit increased only slightly. Going forward, we will demonstrate the results of our steady buildup of strength as the logistics

#### Consolidated Financial Results for Fiscal Year Ended March 31, 2023 (April 1, 2022–March 31, 2023)

##### Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)  
(Percentage figures are changes from the previous year)

	Revenue		Operating profit		Pre-tax profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 31, 2023	951,877	14.7	35,069	2.6	35,323	(6.3)
FY ended March 31, 2022	830,243	15.1	34,172	(6.3)	37,696	1.1

  

	Net income		Net income attributable to owners of parent		Comprehensive income Total	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 31, 2023	21,048	(21.3)	16,004	(31.5)	33,150	(37.8)
FY ended March 31, 2022	26,734	(29.8)	23,352	(33.7)	53,294	(8.1)

and supply disruptions and price hikes that were triggered by the COVID-19 pandemic have calmed down.

#### <Toward the Formulation of Our 2030 Business Plan>

We had embarked on the development of our 2030 Business Plan as the business environment changed significantly since we had projected in 2018, the year when the 2025 Business Plan was formulated. Social trends had also changed dramatically against the COVID-19 pandemic, rapid progress in decarbonization and the shift to BEVs (Battery Electric Vehicles), and heightened geopolitical risks. As a result, the social issues, opportunities, and risks that are important to us are changing rapidly, and we need to address complex business issues as quickly as possible.

In devising the new plan, we have once again discussed how we will contribute to society in the future based on our company creed, “Boundless Creativity and Social Contribution,” and our strengths.

One of the reasons for this is my experience when I was the head of the Human Resources Division. During recruitment campaigns, more and more applicants become interested in what they can do for society by joining this company. In order to continue to be a company that is trusted and needed by stakeholders and society at all times, I remember feeling that economic value alone is not enough to achieve sustainable growth; it is necessary to combine economic value with social value. In the IR activities that I was in charge of, I also felt that stakeholders had high interest in and high expectations for our efforts to solve environmental and social issues, as sustainability management had become widely accepted. Through these experiences, I have come to strongly believe that it is necessary to return to the basics of “a company is a public institution.”

In the 2030 Business Plan, released in August 2023, we focus on contributing to solving social issues and achieving sustainable social development through pursuit of our polymer technologies, a way that is uniquely Toyoda Gosei. To this end, we will focus on structural reforms, increasing strategic non-financial capital, mobilizing each and every one of our 40,000 employees in our 62 Group companies in 16 countries/regions around the world, and maximizing the power of our people and organization as priority measures.

Expanding into businesses that contribute to safety, comfort, and decarbonization based on our polymer technology



In April 2023, we visited Auto Shanghai, where we saw first-hand the changes in the automotive industry through visits to dealers and meetings with executives from Chinese automobile manufacturers. Although I was well aware of the dominance of BEVs in the market, Chinese BEVs have evolved much more significantly than I had imagined in the three areas of design, function, and finish. I was impressed by the evolution of the design, which is on par with European cars, and the state-of-the-art software, such as voice recognition functionality. It was an opportunity for us to further strengthen our resolve to take on the challenges of a drastically changing market with our own technologies.

The 2030 Business Plan aims to achieve growth along two major axes. The first axis is to contribute to society by developing products and services for the safety and comfort that will support new mobility, including BEVs, CASE (Connected, Autonomous, Shared, Electric), and MaaS. The second axis is to contribute to the decarbonization of society in order to leave a prosperous global environment for the future.

Compared to automobile manufacturers in the Americas, Europe, and China, Japan lags far behind in the adoption of BEVs. To catch up on this lag, our major customers are working to drastically change conventional car manufacturing and processes by introducing “gigacasting,” a production technology that can significantly reduce the number of parts. To realize the new production method, vehicle assembly at automobile manufacturers must be made easier, and we expect growing needs for modularization going forward. This change in car manufacturing means that we also need to make significant changes in our products.

We are determined to support the transformation of Japanese automobile manufacturers by anticipating future trends in mobility, creating new value, and making the most of our 70-plus years of accumulated manufacturing expertise to ease the transformation for our various customers. At the same time, we will further enhance Toyota Gosei’s competitive advantage by developing products with local automobile manufacturers in markets such as China and India, where BEVs are leading the way, and by taking on the challenges of the changing mobility market. We also aim to help strengthen the competitiveness of the Japanese automotive industry as a whole by leveraging the new knowledge and technological capabilities we will develop in this new field.

Let me explain how we can realize this growth strategy. The structure of BEVs is drastically different from that of conventional internal combustion vehicles, and with this change comes a variety of new needs. We can meet it with our rubber and plastics technology in various way.

The biggest challenge for BEVs is to improve electric power efficiency to extend the cruising distance with less power. To achieve this, we must first reduce the aerodynamic drag. The latest BEVs in Europe have adopted a sleek body design with the tips and roof of the car lowered significantly to take aerodynamic drag into account. The lowered hood design naturally lowers the position of the windshield, so a thinner instrument panel around the front of the car is essential to ensure a spacious and comfortable cabin. To achieve this, we are planning to integrate parts and functions inside the instrument panel by utilizing our expertise in polymer materials to slim down the instrument panel using a framework component we have never handled before. Furthermore, we will make full use of airbag technology to realize a thinner instrument panel that is unrivaled by any other company. In order to achieve this, we are conducting development efforts that cross over the boundaries of company organizations.

Another major challenge for BEV bodies is that the structure that absorbs impact is altered by the placement of the batteries under the body. Normally, when a collision occurs, the car body deforms to absorb the impact and reduce the shock to the occupants. Finally, the seat belts and airbags then protect the occupants. In the case of BEVs, however, the structure protects the battery pack so that no force is applied to the battery, so the body is not easily deformed in the event of a collision as it has been in the past. This change in the way the car deforms requires



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airbags that are different from those used in the past. For this reason, we are developing systems such as high impact-absorbing safety devices and lap airbags combined with seat belts to accommodate future changes in vehicle cabin layouts by advancing our technologies.

With these structural changes in the car due to the shift to BEVs, we see great opportunities in the areas of safety systems and interior and exterior components. We will create new added value beyond the framework of our existing business. For example, we will enhance our competitiveness through set proposals that take advantage of our expertise in the development of interior and exterior components, airbags, steering wheels, and other parts, and collaborate with other companies to develop novel technologies. At the same time, we always want to propose what our customers want to realize, giving shape to their ideas faster than anywhere else.

In 2030 and beyond, we will reorganize our business portfolio by shifting our resources to fields that provide both social value and economic value, taking into account the changing nature of automobiles and the needs of the times. First, in the safety systems business, which is a growth driver, we will expand our airbag production volume to 1.5 times the current level and contribute to the reduction of traffic fatalities through our products, aiming to create a safer automotive society. This will also lead to our increased

sales revenue and global market share. Also, as mentioned earlier, the growth of CASE will bring about a major change in people's sense of values toward cars. We will pursue a new level of comfort in transportation, centered on the interior and exterior component business, and take on the challenge of providing a vehicle cabin space that only we can offer.

As we move toward decarbonization beyond the year 2030, we expect that society's needs for hydrogen will increase. The Japanese government's Basic Hydrogen Strategy, revised in June of this year, sets new targets for the amount of hydrogen to be adopted and plans large-scale investments, so expectations are rising for hydrogen as a sustainable form of energy. Currently, we are providing our hydrogen tanks to Toyota's MIRAI FCEV (Fuel Cell Electric Vehicles) and CJPT's\* fuel cell light-duty trucks. In the future, we expect to expand our applications in many fields, including large trucks and commercial vehicles, as well as non-automotive applications such as railroads and ships, and even household tanks, and we hope to see a path for business expansion.

\* Commercial Japan Partnership Technologies Corporation



## **We are committed to management reform to maximize the power of our polymer-like organization by leveraging the culture we have built up over the years**

The auto industry is currently undergoing a major transformation with the advances in electrification and automated driving. Our business environment is also changing at a dizzying pace, with difficulties in securing human resources due to the declining birthrate and aging population, and changes in corporate competitiveness due to digitalization. In this environment, we need the power of people and organizations to implement the 2030 Business Plan. The most important thing for that is to create a place and stage where each and every employee can play an active role. In order to realize a workplace where employees themselves can be motivated to work positively together with their colleagues, in other words, to create a place where they can take on challenges without fear, we will first work on management reform for managers. If supervisors do not provide support for the careers and work of their members, it will be difficult for them to actively take on new challenges. To date, we have identified various issues through activities conducted by labor and management together, and have implemented initiatives as management issues and workplace-based activities. One such initiative is the renewal and implementation of manager education. Our goal is to establish a management style in which supervisors tap into the motivation, knowledge, and ideas that individual employees possess, rather than just supervisors issuing one-way instructions on work duties. In order to achieve this, it is important for managers to have sufficient psychological and time resources, so we are working on reforming the way managers work in parallel with management education.

We are also working on strengthening governance and management innovation with the aim of maximizing our organizational strength on a global scale. In June 2023, we introduced the CxO (Chief Officer) system and appointed new positions for CEO, CFO, CRO, CTO, and CMO (Manufacturing) for priority functions. In line with this change, a portion of the authority previously held by the president has been transferred to each CxO. This was introduced out of my strong desire to speed up management by strategically implementing the priority function “x” on a global basis beyond the framework of businesses and regions. We are shifting from our former unipolar, unidirectional approach to new multi-polar, multi-directional approach.

In most cases, the head office in Japan has been responsible for formulating management and manufacturing policies and implementing them outside Japan. We would like to further transfer authority to regional division managers and adopt the concept of Center of Excellence to use the strengths of each region for strengthening regional communications and cooperation among regions. Strengthening cooperation not only between the head office and the regions, but also between regions is the very essence of a polymer-like organization in which people and organizations are more organically connected. We will be able to create new added value flexibly through these efforts.

## **The Toyoda Gosei Group is on the move. Becoming a company that exceeds the expectations of all stakeholders**

Toyoda Gosei Group is now making a fresh start toward a future of great change. Through dialogue meetings with managers and mid-level leaders as well as labor union executives, I have sensed a positive energy rising throughout the company. We will share globally the polymer-like organization, a new vision for 2030 that we have prepared for further growth, and aim to become a company that can demonstrate even greater value in its social and economic presence.

We will further enhance our IR activities in order to firmly convey to our stakeholders how our Group is steadily growing year by year. Ideally, we would like to create a virtuous cycle toward sustainable growth, stimulated by many opinions through careful dialogue with our stakeholders.

The entire Toyoda Gosei Group will work even harder than before to make Toyoda Gosei a company that people think of as interesting and that benefits them, and so we ask for your continued understanding and support.

## **Katsumi Saito**

**President, CEO**  
**October 2023**