

Letter from the President

Achieving sustainable growth by responding flexibly and rapidly to a dramatically changing environment



N. Miyazaki
President

I would first like to extend my gratitude to our shareholders, investors and all other stakeholders.

Massive business environment change

There is intense competition in the automobile industry to develop autonomous driving, electric vehicles and other new technologies, and it has spread globally with amazing speed. This and other changes have already brought huge waves of change to the environment for our main business, but even bigger changes are anticipated. To grow sustainably amid such a major shift, we will need to respond rapidly to change with an even greater sense of urgency, to be resolute in seeking innovation without letting existing values hold us back, and to use limited resources effectively.

A look back on fiscal 2017

Last year we adopted the key words “foresee, prioritize and take prompt action” with the aim of being more strategic in our business endeavors.

To strengthen our business foundations, we stepped up efforts to establish production sites in fast growing developing countries. In India, which continues to experience high growth, we started operations at our Bawal Plant in the north and established a new plant in the state of Gujarat in the west. In Brazil we acquired full ownership of Pecval Industries, a manufacturer of interior and exterior parts, and in Vietnam we also established a new plant.

To further grow our business in airbags, which are expected to see rising demand globally with the introduction of new or stricter safety regulations in many countries, we have made a series of capital tie-ups with major airbag parts manufacturers.

In product development, we were able to launch new, high-value added products on the market in the fields of safety and comfort. They included a steering wheel with grip sensor that can be applied in advanced driving support systems and new weatherstrips that received awards from our customers. At the Tokyo Motor Show, we exhibited next-generation concept models and other displays with a view to the age of autonomous driving that will soon be here, and visitors to our booth gained a deep understanding of the future we envision for the company.

Fiscal 2018 was a year of going all out

The composition of automotive parts themselves continues to change. One example is the tendency for parts to be ordered in larger bundled units than in the past. The capability to develop, design, and deliver products as modules or systems rather than single parts is expected to be a precondition for suppliers that will attract business from customers.

In the area of product development we are responding to this shift by accelerating the development of product modules that add electronic components to our core technologies in rubber and plastics, where we excel in cockpit and front grille products.

For this purpose we are increasing our collaboration with others rather than doing everything ourselves, while continuing to refine our strengths in rubber and plastics technology and our global reach. Through partnerships with suppliers, other businesses, startups and others, we are adding to the store of knowledge both inside and outside the company and making concerted efforts in the spirit of ONE TEAM, ONE TG. We believe this will lead to further growth.

Formulation of 2025 Business Plan

In May 2018, Toyoda Gosei announced its mid- and long-term business plan, the 2025 Business Plan, as a concrete manifestation of our strategy. In this highly uncertain age, the 2025 Business Plan expresses our determination to take the changing business environment as an opportunity and to be a supplier of choice for global customers in areas where Toyoda Gosei has a solid presence and superior products.

The 2025 Business Plan contains: (1) our newly redefined expression of what we aspire to be, (2) business objectives for each field, and (3) three key areas of activity that form our underlying policy for achieving these objectives. We will steadily execute each item in the Plan with the aim of sustainable growth. (See page 16.)

To stakeholders — Our new management philosophy

In April 2018 we revised our management philosophy for the first time in eight years.

Previously, our management philosophy was considered to be something for company executives and employees. In recent years, however, the value of coexistence with all of our stakeholders, both inside and outside the company, has taken on greater importance.

With the changes in society, it has also become more important for companies to openly express their thoughts

on fulfilling their social responsibilities as a company.

Based on the above, and with the idea of our management philosophy being a declaration to stakeholders, we have reviewed its wording and replaced certain items. (See below.)

With the belief that a company is a public institution that is greatly dependent on economic and social development, “Good corporate citizenship” is positioned as the first clause in our new management philosophy and “Proper business operation” as the second. Clauses three to five are declarations to each set of stakeholders, while clause six is a declaration to ourselves that forms the overall foundation for fulfilling our social responsibilities.

Declaration to stakeholders through our new management philosophy

1. Good corporate citizenship

Main stakeholders All stakeholders

Companies cannot exist or grow without economic and social development. As a global corporation, we will conduct our business with consideration of differences in cultures and customs and make positive efforts to resolve issues faced by local communities.

2. Proper business operation

Main stakeholders All stakeholders

We will hold ourselves accountable in conducting fair and ethical business activities. We will comply with all laws and regulations, build systems and mechanisms to ensure sound and efficient management, and aim to earn the trust of our stakeholders.

3. Sustainable growth

Main stakeholders Shareholders, Toyoda Gosei Group, suppliers

Toyoda Gosei's growth and development is supported by many suppliers. While making utmost efforts for further growth and development, we will improve the collective abilities of the Toyoda Gosei Group to meet the expectations of our wide range of stakeholders.

4. Customer satisfaction

Main stakeholders Customers

As a manufacturer, delivering quality products and reasonably priced services to our customers in a timely manner is among our first duties. For that purpose we will make unceasing efforts for technical and manufacturing innovations, stronger supply chains and other improvements.

5. Conservation of global environment and resources

Main stakeholders Society

It is the duty of those of us living today to leave a beautiful earth for the future. An essential condition for our existence and activity as a company is to use the knowledge and skills we possess to aggressively tackle environmental problems.

6. Respect for the individual

Main stakeholders Employees

We as individuals are the foundation that supports the growth of the company. With mutual respect and team cooperation, we will aim for both personal growth and to be a company where employees can work with high aspirations and motivation.

Diagram



ESG (environmental, social, governance) efforts

The ESG (environmental, social, governance) movement has attracted global attention recently. At Toyoda Gosei we had already reflected that concept in the new management philosophy mentioned above, and have been focusing energy in those areas from the time before the ESG concept arose.

One example of this can be seen in the fact that the predecessors to this report were the company's environmental reports. We have long made vigorous efforts to contribute to the environment, and were ranked tenth in the manufacturing sector in the 2018 Nikkei Environmental Management Survey.

The sustainable development goals (SDGs) for 2030 adopted by the United Nations in 2015 with global agreement take up environmental problems as a major issue and demand further strengthening and enhancement of environmental measures in each country and company.

In line with these trends, in January we moved the company's Environment Division from the Production Headquarters to the direct jurisdiction of the President. This year we will conduct companywide, lateral activities

across the various business headquarters.

For CSR activities as well, we aim to be a company with local roots that grows together with the community. Employees carry out these types of activities at each of our locations around the world, and will continue to do so in the future.

From the perspective of governance, we will revise our corporate governance code in a timely fashion and continue to be a company that meets the demands of society for corporate governance.

