



Message from the CEO

Staying agile amid a changing world.

Driving contributions to safety, comfort, and decarbonization.

Continuing to maximize our corporate value.

Katsumi Saito

President, CEO

Message from the CEO

1—The Business Environment

One of the first orders of business when I assumed the role of president in June 2023 was to formulate our medium- to long-term business plan, the 2030 Business Plan, which we completed in August of the same year. Two years have passed since then and the business landscape in the automotive industry has changed dramatically. In response, we have thoroughly revised our assessment of the business

environment that served as the basis for the plan. In China, the world's largest automotive market, the shift to battery electric vehicles (BEVs) is advancing rapidly. Local Chinese automakers are becoming more and more competitive, and Japanese automakers are struggling to keep pace.

Globally, although the shift toward BEVs is expected to continue over the medium to long term, the pace of adoption is slowing down compared to initial projections. We are also seeing the impact of changes to government policies, particularly in the United States.

Geopolitical risks, notably US tariff policies, have become more pronounced, adding to the growing complexity of the business landscape in the automotive industry. In spite of the growing challenges, we remain steadfast in pressing forward with the 2030 Business Plan. We have added South America, and specifically the key market of Brazil, to the Americas and India as key regions on which to focus our efforts. By doing so, we are aiming to grow our business at a pace above organic market growth.

2—Vision & Delivered Value

Our 2030 Business Plan envisions us as a company that pursues the possibilities of polymers to contribute to a future of better mobility and living. Our value proposition is to deliver the safety and comfort solutions that will underpin the realization of new forms of mobility, and in particular BEVs. By leveraging our technical prowess in the polymer technologies behind advanced rubbers and plastics, we have a part to play in realizing a decarbonized world. Generating economic

value while at the same time delivering benefits to society as a whole should translate into the sustainable development of our business.

Beginning with how we can contribute to safety, despite the fact that vehicles in developed countries have more airbags installed and are safer than ever before, around 1.2 million people worldwide still die in traffic accidents each year. We will continue to develop more sophisticated safety products to help save lives and reduce the tragic toll of accidents. In developing countries, installation of airbags is still lagging behind and many lives are lost unnecessarily as a result. In India, which has the highest number of traffic fatalities in the world, the road toll has become a particularly pressing societal issue. To help reduce the rising number of traffic accident fatalities, we are moving quickly to expand our production capacity of airbags and other products in our Safety Systems lineup. We will promote and build a safe mobility society in India by encouraging the adoption of our products by leading non-Toyota automakers, such as Maruti Suzuki.

As a leading company in the critical field of airbag technology for collision safety, we also participate in international symposiums on automotive safety systems where we present our latest research findings and engage in discussions with safety experts. At a symposium held in Germany in November 2024, we presented research findings utilizing computer simulations (CAE technology) that reproduce human bodily movements and injuries during traffic accidents. By staying abreast of cutting-edge technological trends in safety and incorporating them into new product development, we will help build even safer cars. To deliver on this promise of safety for a new mobility society, we are also advancing the development



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of safety products compatible with a whole range of other modes of transportation, including motorcycles.

In the new mobility society, our interior and exterior components can help make vehicle surroundings more comfortable. Our intent is to introduce new products that enhance the comfort of vehicles in distinctive and unique ways, such as by combining LED-based illumination and safety technology to create passenger cabins that feel like something from the future. In May 2025, we developed a new steering wheel to accommodate next-generation steering systems. The steering wheel for steer-by-wire systems, featuring an advanced design that delivers comfortable driving, has been installed in Toyota Motor Corporation's new BEV, the Lexus RZ.

As exterior components evolve to reflect changing vehicle aesthetics, we will refine our decorative technologies to develop products that not only express brand identity but also function as signage. Leveraging our strength as a Tier 1 supplier manufacturing genuine products, we will accelerate product development tailored to end-user needs by expanding into the aftermarket, broadening our contribution to user comfort.

We have designated the Americas as a key region and are advancing the development of new products and strengthening production capacity for non-Toyota automakers, particularly the Detroit Three, to deliver our comfort value proposition to more customers. We are expanding the production capacity of our two US subsidiaries and advancing the development of our supply system while also establishing a system capable of supplying a wide variety of products to meet the needs of diverse vehicles, including BEVs.

While accelerating growth strategies in key businesses

and regions, we are also taking steps to turn unprofitable businesses around. In China, where the business landscape has shifted dramatically, we are moving forward with urgent structural reforms to address shifting customer trends and the changing competitive environment.

Profitability of our weatherstrips business is trending upward as we promote our superior sound insulation performance and consistent quality and supply capabilities to customers. In our functional components business, we had planned to transition away from the fuel system business. However, considering the trend toward BEV adoption, meeting a broad range of customer needs will help to generate cash that can be used to fund growth in other key areas. We continue to respond to the changing business landscape with agility and attention to detail as we work to optimize our business portfolio.

Being a business that creates products from polymer materials puts us in a unique position to help address the urgent global need for decarbonization. In our 2030 Business Plan, we pledged to commercialize recycling from the perspective of utilizing internal waste materials. Commercialization involves converting waste materials, including those from outside our company, back into raw materials for use in our own products, and then selling the recycled materials to other companies.

In May 2025, we achieved the world's first practical application of automotive interior parts made with 50% recycled plastic sourced from end-of-life vehicles as part of our plastic recycling business initiative. Traditionally, recycling waste plastics from automobiles has been challenging because impurities make it difficult to achieve performance equivalent to new materials. This has led to the common practices of incineration for heat

recovery (thermal recycling) or reuse in lower-performance applications (downcycling). In collaboration with Isono Co., Ltd. (head office: Nagoya; president: Masayuki Isono), we have developed recycled plastic containing 50% post-consumer plastic (polypropylene) recovered from end-of-life vehicles. This material maintains performance equivalent to virgin plastic by securing high-quality recycled raw materials and utilizing our proprietary material modification technology. It has been successfully applied in automotive parts that meet industry quality standards. This technology will accelerate adoption of horizontal recycling, which entails reusing parts within the same component, and helps to reduce CO₂ emissions.

Plastics are not the only focus for us. We are also pursuing opportunities to commercialize the recycling of rubber. In the automotive industry, recycling of resources such as steel and plastic is advancing, but rubber-based products are difficult to recycle and are mostly incinerated (for thermal energy recovery). We have been developing technology to utilize waste materials generated during product manufacturing by operating a recycling process since FY2021, using our proprietary devulcanization recycling technology that can convert rubber products into high-quality raw materials.

In October 2024, we expanded this devulcanization and recycling facility, doubling our production capacity. We are proceeding with a plan to utilize 1,200 tons of recycled rubber annually by FY2030. Our research indicates that this product is top of its class in EPDM rubber recycling volume, thanks to the higher quality achieved via a distinct recycling method unmatched by competitors. We are already providing new value, such as meeting rigorous standards even with 20% recycled material blended into our automotive products. By

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continuing to drive forward our efforts to commercialize this technology beyond internal use, expand the types of target rubber, and beginning external supply, we will lead the industry in the field of rubber recycling.

3—Sustainability & ESG

Our approach to decarbonization is founded on our company's longstanding commitment to protecting the environment. In 1993, we began packaging our initiatives as the 1st Environmental Action Plan, and have continuously and comprehensively pursued decarbonization through to the formulation of our 8th Plan in 2025.

The 2030 Business Plan sets carbon neutrality as a goal to contribute to decarbonization. When we announced our business plan in August 2023, we moved up the target date for achieving carbon neutrality for Scope 1 and 2 emissions by 20 years, from 2050 to 2030. In addition to energy savings achieved by the routine improvements we have been implementing, we aim to achieve this through innovations in production technology. The primary sources of CO₂ emissions in our production processes are the painting, plating, rubber extrusion molding, and plastic injection molding stages and it is on these areas that we are focusing our efforts to develop innovative production techniques.

Additionally, we are promoting the use of renewable energy, and have recently constructed a solar power plant that makes use of idle land at TG Missouri, our main US facility. The renewable energy utilization rate in the Americas region exceeds 40%, accelerating CO₂ reduction efforts that include

the application of renewable energy.

To further improve our governance, we are promoting efforts to enhance outside directors' understanding of our business with the aim of revitalizing the Board of Directors. Every month, we hold an outside officer liaison meeting to exchange views with relevant internal departments on the progress of key initiatives and topics of special interest. This initiative also provides opportunities for participants to directly engage with our company's human resources and organizational culture (human capital), such as assigning explanatory roles not only to members at the department head level, who are close to the Board of Directors, but also to young leaders who will bear the responsibility of the next generation. The effectiveness of the Board of Directors is evaluated with a focus on outside officers, whose perspectives are not tied to the industry and whose opinions are utilized in management. These initiatives, as well as our approach to management in general, have been well received by our outside directors.

4—Human Capital

Human resources are the most critical management resource for achieving our 2030 Business Plan. To help our people maximize their potential, we are pursuing the following three initiatives.

- Nurturing and developing each individual's unique personality, abilities, and skills
- Securing resources for business growth and development
- Valuing dialogue, enhancing communication, and connecting people and organizations



To aid in the successful restructuring of our business operations, we are also working to optimize our talent portfolio. We have identified 15 distinct talent types that will be essential for implementing our strategies. We have defined the necessary requirements in each category and are working towards hiring the right people. We have clarified the personnel requirements and headcount for each area: business-related fields such as safety systems, interior/exterior components, and polymer materials; and functional organization areas such as development, sales, and digital transformation (DX) that underpin these businesses. We also conducted a review of our current workforce and compiled individual skill maps. We will fulfill the human capital requirements needed going forward over the next three years through internal personnel reassignments, departmental development, and external recruitment, thereby driving the optimization of our business

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portfolio.

To drive progress, DX initiatives such as human capital visualization and harnessing the power of AI are essential. One initiative to cultivate the digital talent supporting DX is what we call “citizen development.” Previously, small-scale systems required for business operations were usually developed by the IT department. Our new model will be to encourage those employees who know the ins and outs of actual operations to be the ones to develop the systems and applications that they need. We will achieve DX not only by streamlining operations but also by fostering a culture of mutual growth through enhanced cross-organizational communication that promotes

information sharing, thereby maximizing the value of human capital.

5—Increasing Our Corporate Value

Alongside our growth toward one trillion yen in sales, we are seeing tangible results in the steady growth of profits. While our stock price is currently trending upward, we take seriously the fact that we still trade at a price-to-book ratio (PBR) of less than 1.0. Achieving a PBR of at least 1.0 as soon as possible and striving to further enhance corporate value is one of my key roles in the company.

Profit growth in the short-term will primarily be achieved via the optimization of our automotive parts business portfolio. By pushing ahead with strategic investments in new businesses (including alliances and corporate venture capital) with an eye toward growth beyond 2030, we will balance current profitability with future growth potential and maintain a profitable growth trajectory.

In addition to sustaining profit growth, we are also turning our attention to enhancing our financial policies. In line with our disclosed cash allocation policy, we will continue to increase returns to shareholders while maintaining sufficient cash reserves to drive growth. In addition to conducting share buybacks, our dividend policy has also been revised with the aim of delivering consistently growing dividend payouts. The previous target of a payout ratio of 30% or higher has been revised to a minimum target dividend on equity (DOE) of 2.5%, raising the level of cash dividends. To accelerate company-wide efforts to

enhance corporate value, we introduced restricted stock (RS) for employees in June 2024, following the implementation of RS for executives.

6—To Our Stakeholders

The 2030 Business Plan sets forth our vision of becoming a company that pursues the possibilities of polymers to contribute to a future of better mobility and living. The plan defines a basic policy of focusing on fields that balance social and economic value. Now into the third year since it was officially announced, we are entering a crucial growth phase on the road towards our 2030 targets. We will advance the optimization of our business portfolio while working together as a unified organization to expand the value we provide in safety, comfort, and decarbonization.

We are committed to pursuing continuous innovation and service improvement to respond to increasingly diverse values and needs, ensuring we remain the company of choice for all stakeholders: our customers, partner companies, employees, local communities, and shareholders.

We will continue to work alongside our stakeholders to create new value and develop Toyoda Gosei into a company we can be proud of on the global stage.

I would like to take this opportunity to thank you for your support and interest in our Company. We look forward to continuing to deliver for you.