

Letter from the President



N. Miyazaki

President

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

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

Massive business environment change

The world economy is facing increasing uncertainty as tariffs rise between the USA and China, the North American Free Trade Agreement (NAFTA) is reviewed, and the UK is leaving the EU. Effects are being felt in the form of a slowing economy in China, the world's largest automobile market, and fears of an economic slowdown in the USA. Toyoda Gosei has established a management system to deal with these risks and to respond flexibly and swiftly to changes in the external environment with the aim of achieving sustainable growth.

In the automobile industry, companies are intensifying efforts to strengthen competitiveness through business tie-ups and joint development with other industries. Toyoda Gosei is moving boldly to meet new challenges without being constrained by the ways and customary practices of the past. In this way we will contribute to society by delivering to the market at the earliest date new technologies and products that provide the highest levels of satisfaction through safety, comfort, well-being and the environment.

A look back on fiscal 2018

Last year, while continuing to refine our strengths as an expert in the fields of rubber and plastic with a global network, we also joined forces with suppliers, business partners, and startup ventures.

In May we issued the 2025 Business Plan, our medium- and long- term business plan, which highlights our

aspiration to grow as a “global company that acts flexibly and swiftly in today’s dramatically changing business environment, delivering the highest levels of satisfaction to customers worldwide through safety, comfort, well-being and the environment.” We have established three pillars of activity to achieve our FY2025 business targets of sales exceeding ¥1 trillion, an operating profit ratio of 8%, and ROE of 10%.

	FY2017 (J-GAAP)	FY2025 (IFRS)
Revenue	¥807 billion	¥1 trillion
Operating profit ratio	5.1%	8%
ROE (Return on equity)	6.6%	10%

Pillar I is “Venture into innovation, new mobility.” One example of this in product development is our new air conditioner register with LED lighting, which uses resonant wireless power transfer technology for the first time in an automotive product. This is a modular product that incorporates electronics technology in an automotive product using our core technologies in rubber and plastics.



Working together with a startup venture for the past year and a half, we have also developed a prototype for the “Super BEAT” surgical training simulator that uses e-Rubber

to reproduce the beating of the heart with great accuracy. e-Rubber is an artificial muscle material that functions with electricity. We have also set up a corporate venture capital department to facilitate searches for new technologies that complement our existing technologies.



Pillar II is “Strategy for growing markets/fields,” in which we aim to further grow our business globally. In China, we have merged two production subsidiaries and made one company a wholly-owned subsidiary to establish the best production network for the nation as a whole. For rapid business decisions and efficient operations, we have changed the regional headquarters into a holding company and invested for the first time in a location in central China.

In India, we established a new technical and sales office in Gurgaon, a suburb of Delhi, to enhance local product development. Operations have also started at the Gujarat Plant, expanding our local production network.

In Indonesia, we established a new company to meet the huge increase in demand for airbags as safety regulations become stricter.

Pillar III is “Innovative manufacturing at production sites.” In addition to activities to raise productivity at our manufacturing sites based on the Toyota Production System (TPS), we have begun new efforts to increase efficiency using IT. Data are collected in manufacturing processes and big data analysis is used to quickly identify and resolve bottleneck processes.

To strengthen the business foundation that supports activities in these three areas, we held the TG Global Summit 2018 in November. About 130 leaders from 65 group companies in 17 countries attended to discuss specific efforts to achieve business targets and share strategies for each region and field of business.



FY2019 is a year of business execution with overwhelming speed

One of the key efforts in our 2025 Business Plan is to execute business activities with “overwhelming speed.” We will improve efficiency in all aspects of our work for greater speed in every activity, without being constrained by previous ways of doing things and customary practices. Specifically,





Pillar I: We are increasing the speed of development of new technologies, such as e-Rubber and power devices, and new products for use in CASE and modularization. We will also strengthen tie-ups with startup ventures through corporate venture capital.

Pillar II: In China and India, where sales growth is anticipated, we are conducting activities to grow while ensuring profitability. In product development, we will increase the added value of exterior and interior products with things such as millimeter-wave compatible emblems, and optimize the global supply system for airbag parts.

Pillar III: Raising profitability is an issue we must consider in working toward our business targets. We will seek to improve consolidated performance centered on the Americas, where profitability is high, and accelerate restructuring of our business in the entire European region while keeping an eye on changes in the business environment.

ESG (environmental, social, governance) efforts

These ideas were already reflected in our Management Philosophy, which was amended last year, but the ESG way of thinking has attracted global attention recently. At Toyoda Gosei we have been focusing energy in each of these fields since before the ESG concept gained prominence.

In the field of environmental preservation, Toyoda Gosei ranked third in the corporate ranking of the 22nd Environmental Management Survey (manufacturing category) of the Nikkei Shimbun, up from tenth last year. This was in recognition of our efforts to promote biodiversity by planting trees and creating biotopes on plant grounds, to

recycle resources through reuse of things such as wastewater generated in production, and to reduce the weight of products by making them with plastic instead of metal through concerted activities with domestic and international group companies and suppliers.

In the field of social activities, we strive to put down local roots and grow with our communities. Social contribution activities by employees are actively pursued in all parts of the world, and will continue. We also make efforts to develop people and workplaces that can support our business, nurturing professional staff who can thrive globally and promoting two-way communication between superiors and subordinates.

In the field of governance, we have developed and operate an internal control system to ensure that work is done properly and efficiently. With the appointment of Mayumi Matsumoto as a Director, we have raised the level of management monitoring and supervision by outside directors and audit and supervisory board members.

Towards sustainable growth

Toyoda Gosei celebrated its 70th anniversary on June 15, 2019. This would not have been possible without everyone's support, and we are deeply grateful.

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs) for 2030, and in recent years there is rising momentum for their achievement. We support the SDGs and are endeavoring to solve social problems through our business activities. We will intensify and expand these activities and raise our corporate value with the aim of achieving sustainable development into the new Japanese era of Reiwa.