

## Message from the CRO

**We aim for sustainable growth and development through initiatives to control risk and the challenge to turn risk into opportunity.**

### Risks Surrounding Toyota Gosei

There are a diverse range of risks that could shake the foundations of management, and they are making the situation unclear and uncertain. They include the strategic business risks of the automotive industry in the midst of a period of major change, as well as natural disasters, infectious diseases, trade restrictions and sanctions, human rights violations, and information security.

In order to continue sustainable growth and development as a company, it has become important to understand and accurately address these risks.

### Controlling Risks

The Internal Controls Committee, chaired by the president, has been established to implement specific measures through three subcommittees: the Risk Management Subcommittee for selecting and mitigating important risks, the Compliance Subcommittee for ensuring thorough compliance with corporate ethics and laws, and the Internal Audit Subcommittee to implement internal auditing in a systematic manner.

In particular, as a response to key risks, we have been focusing on the following measures; preparations for a Nankai Trough earthquake since we are located in the Tokai region in Japan, prompt sharing of information and strengthening of cooperation at the global level to continue production operations under such circumstances as the COVID-19 pandemic and the impact of the conflict in Ukraine, visualization and systematic improvement of cybersecurity measures, and so on.



**Hiromasa Zaitzu**

Corporate Officer  
CRO

### Future Initiatives

In June 2023, we created the new role of CRO. We have been implementing preventative measures to mitigate risks and prompt and appropriate responses to incidents when they occur. Going forward, as CRO, I will work to raise the overall level and respond more flexibly by providing horizontal coordination to relevant departments within the company and to affiliates in Japan and overseas. We will address issues related to the organizational structure in a cross-organizational manner from the standpoint of the CRO, such as different departments being responsible for different types of risks and the difficulty of identifying the responsible department due to the involvement of multiple departments depending on the type of risk. In addition, several issues have emerged, which require responses in cooperation with entities in each region on a global basis such as the revision of laws and regulations on trade controls in various countries. We will work to develop internal response systems and specific measures to deal with such complex and multifaceted risks. Although there are an increasing number of risks for which it is difficult to know the correct response, we will prepare for them by assessing the current situation and developing response scenarios based on a variety of situations. We are committed to risk management with the belief that enhancing our ability to respond to contingencies will be a proactive approach to turning risks into opportunities for the Company.

## Risk Management

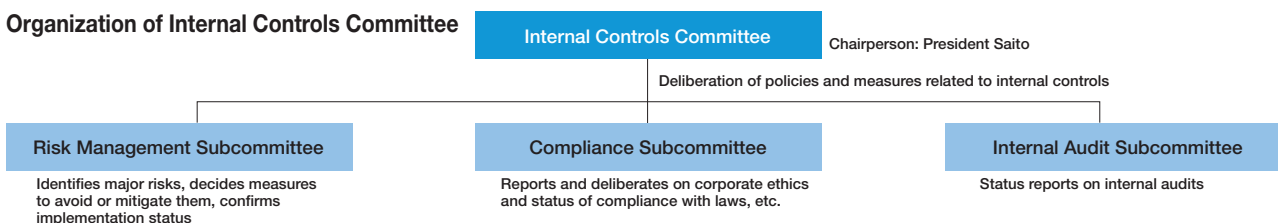
### Basic Philosophy

We are working to prevent risks that could have grave consequences for management and to minimize damage in adverse events. For these purposes, we identify risks in each function and make decisions on how to respond in meetings of the Board of Directors, Internal Controls Committee, and various general councils.

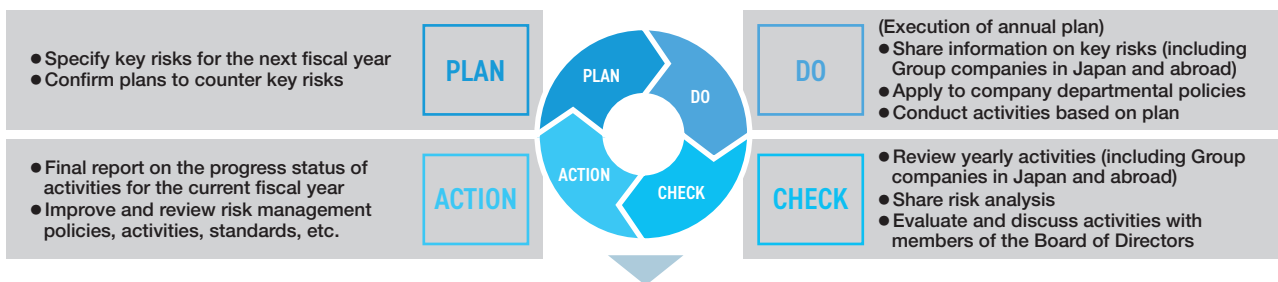
An Internal Controls Committee headed by the company president identifies key risks, determines measures to counter them, and checks on the progress in executing these measures. In this way,

these measures are made more effective. In addition, initiatives to deal with key risks or unexpected risks due to political instability or other external factors are discussed regularly by the Board of Directors, and continuous improvements are made. Moreover, Risk Management and Response Guidelines have been established. These guidelines show the actions taken to prevent potential risks and to respond to problems appropriately and quickly.

### Organization of Internal Controls Committee



### Principal risk management activities



External disclosure of activities (securities report, corporate governance report, integrated report, company website, etc.)

### Response to Key Risks

Operating foundation risks (primarily handled by CRO) and business strategy risks (primarily handled by CFO) based on the business environment are assessed from the perspective of impact on operations (financial impact, etc.) and possibility of occurrence (frequency),

and key risks are identified. Key risks are reflected in company policy as important action items, and initiatives are made to mitigate or prevent risks.

### Examples of Key Risks

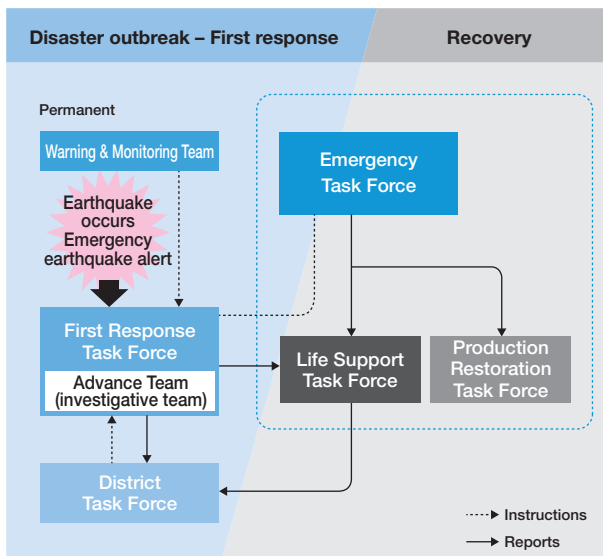
Classification		Main Key Risks	
Size of risk Impact on operations (financial impact, etc.) × Possibility of occurrence (frequency)	Large	<ul style="list-style-type: none"> <li>● Large-scale disasters (earthquakes, storm and flood damage, etc.)</li> <li>● Risks, opportunities, and responses based on TCFD</li> <li>● DX support</li> <li>● Recalls due to serious quality issues</li> </ul>	<ul style="list-style-type: none"> <li>● Cyberattacks/scam emails</li> <li>● Carbon neutrality measures</li> <li>● Raw material procurement, energy price hikes, etc.</li> <li>● BEV conversion measures</li> <li>● Injuries and operation shutdowns due to serious work accidents</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>● Leakage of confidential information</li> <li>● Trade friction</li> </ul>	<ul style="list-style-type: none"> <li>● Traffic accidents (causing serious damage/injury)</li> <li>● Incidents of harassment</li> </ul>
	Small	<ul style="list-style-type: none"> <li>● Antitrust law violations</li> <li>● Business operations with partner companies</li> </ul>	<ul style="list-style-type: none"> <li>● Interruption of business operations due to fire or explosion accidents</li> </ul>

### Crisis Management Project in Anticipation of Large-Scale Earthquake Disasters

A crisis management system has been put in place for the event of a massive disaster, such as the predicted Nankai Trough earthquake or natural disasters due to climate change. This system is based on the principles of human life first, community support, and early recovery. Specifically, in addition to infrastructure and system measures based on the Crisis Management Project, resilience training has been conducted more than 180 times for directors and members of antidisaster departments since FY2013. These efforts are based on the company’s belief that improving the skills of response personnel is essential. Specific procedures for the recovery of affected buildings, facilities,

and processes have also been established, and for alternative production in a production recovery system. Recovery training for design drawings and other data is also carried out so that product development can be continued even after disasters. In addition, workshops to strengthen crisis management not only in Toyoda Gosei companies but also at Group companies and suppliers are conducted regularly. Assessments using anti-earthquake measure implementation status check sheets, clarification of weak points with graphs, presentation of responses taken at Toyoda Gosei and other companies, and collaborative preparation of business continuation plans (BCP) are carried out.

#### Disaster Response



#### Initiatives to Date

Classification	Measures
Facility and equipment measures	<ul style="list-style-type: none"> <li>● Earthquake resistance measures for buildings and facilities</li> <li>● Establishment of a disaster prevention center to serve as an operations base for the entire company in the event of a disaster</li> <li>● Equipping all locations with a multi-channel access (MCA) radio system<sup>*1</sup> and satellite phones</li> <li>● Installation of crisis management servers (earthquake-resistant structure) and emergency power generators</li> <li>● Operation of a DR<sup>2</sup> system and DCs<sup>*3</sup></li> </ul>
System measures	<ul style="list-style-type: none"> <li>● Implementation of site and building safety assessments</li> <li>● Training in operation of earthquake early warning systems and employee safety information systems</li> <li>● Preparation of supply chain information</li> <li>● Preparation of a business continuity plan (BCP)</li> </ul>
Skills	<ul style="list-style-type: none"> <li>● Ongoing resilience training (disaster simulation exercises)</li> </ul>

\*1 Radio system used in Japan for various purposes, from daily operations to emergencies and disasters

\*2 System for restoring and repairing damaged systems (Disaster Recovery)

\*3 General term for special facilities equipped with and operating computers, data communications, and other equipment (Data Center)

#### Enhancing Our Global Risk Response

In response to global risks that occur not only in Japan but also in other countries (e.g., parts and raw material shortages, the Ukraine conflict, etc.), we are taking necessary actions on a global basis to quickly assess the situation (weekly BCP reports) both in

Japan and overseas. Standardization is also underway so that domestic and international locations can take measures on their own initiative, and we are enhancing our ability to respond to key risks seen in the business environment of each company.

### Basic Policy for Cybersecurity Measures

To strengthen the control of confidential information, annual checks of the compliance status of each division based on company confidentiality management regulations are conducted together with onsite audits. Self-inspections are also done at Group companies in Japan and overseas, as well as at major suppliers. Confidentiality officers are assigned in all departments, and confidentiality education activities are conducted based on information system security operating

standards and a confidential information management manual. At domestic and international Group companies and major suppliers, specific measures are stratified and executed based on the size of the impact on Toyoda Gosei and inspection results for cybersecurity risk measures at each company. Regular reports and discussions are conducted in all company-wide councils, and cybersecurity measures are implemented together globally.

### Main Cybersecurity Measures

Classification		Measures (domestic and international Group companies and suppliers respond in accordance with the size of the impact)	
Prevent leakage due to negligence	Facility and equipment measures	<ul style="list-style-type: none"> <li>● Data encryption on personal computers</li> </ul>	<ul style="list-style-type: none"> <li>● USB device connection controls</li> </ul>
	System measures	<ul style="list-style-type: none"> <li>● Security measures when sending emails out of the company (mandatory cc to superior's email address, encryption of attached files)</li> </ul>	
Prevent leakage and damage due to malicious intent	Facility and equipment measures	<ul style="list-style-type: none"> <li>● Installation of computer anti-virus software</li> <li>● Constant monitoring of unauthorized communications</li> <li>● Prevention of unauthorized connections to the network</li> </ul>	<ul style="list-style-type: none"> <li>● Firewalls to control communication with outside parties</li> <li>● Detecting and preventing tampering with systems open to the public outside the company</li> </ul>
	System measures	<ul style="list-style-type: none"> <li>● Confidentiality pledge</li> <li>● Stricter standards for allowing items to be taken from premises</li> </ul>	<ul style="list-style-type: none"> <li>● Restricted access to file servers</li> </ul>
Educational activities (morale measures)		<ul style="list-style-type: none"> <li>● Security training for employees</li> <li>● Company-wide confidentiality controls inspections and on-site audits using check sheets</li> </ul>	<ul style="list-style-type: none"> <li>● Training in responding to targeted email attacks</li> </ul>

## Compliance

### Basic Philosophy

Toyoda Gosei's management philosophy states, "We promote business operations with integrity through the establishment of a system founded on thorough compliance and corporate ethics." Together with highly ethical and fair business practices, we strive for thorough compliance in all areas based on this philosophy. The Toyoda Gosei Group Charter for Business Ethics sets forth shared values and a

code of conduct for the entire Toyoda Gosei Group. Group companies in Japan and other countries then formulate and implement their own code of conduct based on the Charter. Toyoda Gosei Co., Ltd. has also established the Toyoda Gosei Guidelines for Business Ethics, which it expects every employee to follow, and has worked to familiarize all employees with these guidelines.

### Compliance Implementation System

Toyoda Gosei has established the Internal Controls Committee with the Company's president serving as chairman and all company officers as members, whose activities include reporting on and discussing the status of compliance with business ethics, laws, and regulations. The items reported and discussed in the Committee are shared with the compliance advocates selected by each department in the Company-wide Compliance Implementation Council so that they will be incorporated into the activities of each workplace. The Committee works for thorough compliance with a unified approach between management and the workplace.

### Toyoda Gosei Compliance Implementation System

