

Building and operating transparent management systems to further enhance Groupwide corporate governance

We are working to enhance corporate governance throughout the Toyoda Gosei Group so that we can continue to be a trusted company. To create a fair and transparent corporate governance system, while we ensure its effectiveness through management supervision and audits by outside directors and outside Audit & Supervisory Board members, we improve the appropriateness and efficiency of our operations by developing and operating an internal control system. Furthermore, we are also promoting legal compliance, corporate ethics, and risk management activities.

Corporate Governance

Basic Philosophy

We view the enhancement and strengthening of corporate governance with the aim of ensuring sound and efficient corporate management to be crucial in achieving sustainable growth. Based on this, we are building and maintaining fair and transparent management systems and organizational systems that can respond precisely to environmental changes.

Corporate Governance System

Toyoda Gosei has adopted an audit and supervisory board system and set up the shareholders' meeting, Board of Directors, Audit & Supervisory Board, and accounting auditors as statutory entities. We have also put in place internal auditors and other internal control systems including internal audits. The Board of Directors consists of nine directors and holds regular monthly meetings (extraordinary meetings held as needed), where matters prescribed by law or in the Articles of Incorporation and important matters related to corporate management are reported, discussed, and resolved.

A system of corporate officers is used to speed up decision-making and business execution. For important business matters, division chief meetings and management meetings are held monthly. Functional meetings and committee meetings relevant to key areas such as technology, costs, and personnel are also held as needed to ensure appropriate management decisions.

The Audit & Supervisory Board consists of five mem-

bers and holds regular meetings. Members also attend important meetings such as Board of Directors' meetings and audit each department and subsidiary, through which they fulfill their function of auditing corporate management.

Accounting auditors are external auditors who combine auditing functions with a commitment to ensuring an independent and fair auditing system. The Company adopts the current system because audit, supervisory, and execution functions are well coordinated with each other under this structure, with legality and efficiency of the Company's decision-making and business execution sufficiently ensured.

Also, in order to strengthen the supervisory function of the Board of Directors and to increase the objectivity and transparency of the decision-making process, we have established the Executive Appointment Committee and Executive Compensation Committee under the Board of Directors as non-mandatory advisory committees.

Internal Control Systems

In accordance with the provisions of Japan's Companies Act, Toyoda Gosei has formulated a Basic Policy on Establishing Internal Controls. Under this policy, we are striving to ensure appropriate operations by establishing internal control systems, which help us deliberate important matters, establish related rules and guidelines, and handle internal audits, compliance and risk management. Every year, the Board of Directors checks the status of establishment and operation of internal controls in an ongoing initiative to improve and reinforce them.

To cultivate a healthy internal control environment at

Toyoda Gosei and its subsidiaries, all Group companies share its management philosophy. The Toyoda Gosei Group Charter for Business Ethics, a shared guideline for compliance, has also been instituted and expanded to subsidiaries. While respecting the independence of subsidiary management, we receive regular business reports from subsidiaries and set up systems to confirm the propriety and legality of subsidiaries' businesses through advance approval reports. We also send non-executive directors and Audit & Supervisory Board members to key subsidiaries in a system to monitor and act as a check on their business execution.

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 behavioral standards for the entire Toyoda Gosei Group. Group companies in Japan and other countries then formulate and implement their own behavioral guidelines 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.

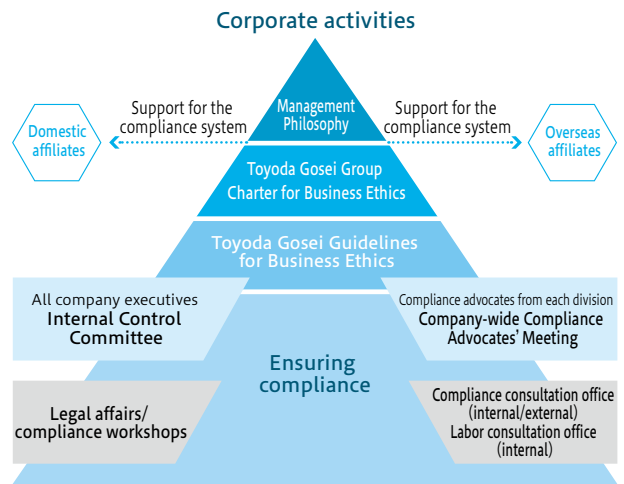
Compliance System

Toyoda Gosei has established the Internal Control Committee with the Company’s president serving as chairman and all company officers as members. The Compliance Subgroup’s 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 Companywide Compliance Advocates’ Meetings so that they will be reflected in the activities of each workplace. The committee works for thorough compliance with a unified approach between management and the workplace.

Regular compliance liaison conferences are also held with Group companies in Japan. Group companies in other countries have also established compliance committees, appointed compliance advocates, or set up other compliance systems suited to the circumstances in their region and company. Compliance activities are

carried out globally in coordination with Toyoda Gosei Co., Ltd.

Toyoda Gosei Compliance Promotion System



Specific Initiatives

■ Training and Educational Activities

Toyoda Gosei conducts various training and education activities with the aim of raising and solidifying compliance awareness in every employee. Trainings are conducted by level in the company and by risks corresponding to the work. The level-specific trainings target new officers, new managers, mid-level employees,

new employees and others as an opportunity to spread and deepen awareness of compliance at various career stages.

Risk-specific training is conducted for specific risks. These trainings include training for transferees prior to overseas assignments, anti-trust law training for

List of Workshops/Education at Toyoda Gosei

Category	Workshop name/education	Recipients	Main content	
Workshops	Workshops/study sessions for officers	Company officers	Company law, fiduciary duty, etc.	
	For each level	New manager training	New managers	Compliance, mental preparation as a manager, anti-trust laws, bribery, etc.
		Legal affairs/compliance training	General employees (mid-level)	Compliance, contracts, internal company regulations, laws (anti-trust laws, bribery, etc.)
		Fifth-year employee training	General employees (skilled workers)	Compliance in manufacturing settings
		New employee training	New employees	Compliance, laws
		Pre-overseas assignment training	Management/General employees	Compliance precautions in other countries (anti-trust laws, bribery, etc.)
	For each risk	Anti-trust law training	Management/General employees (sales)	Laws, internal company regulations
		Product liability law training	Management/General employees (technical)	Laws, internal company regulations
		Training for sports clubs	Management/General employees (athletes, staff)	Compliance overall
		Compliance Academy (company newsletter)	All employees	Introduction of compliance cases
Education	Compliance KY Case Studies	All employees	Theme-based cases and interpretations (100)	

people in sales and other business departments, training for sports clubs and more. Educational tools using various case materials are also prepared,

■ Awareness surveys and Self-Inspections

To ascertain the degree to which compliance awareness has penetrated the company and whether there are any signs of problems, we conduct an annual compliance sustainment questionnaire survey of all employees. The results of the survey are reported to the Internal Control Committee, and measures are implemented throughout the company based on the results. Each workplace also engages in educational activities led by compliance advocates.

In the FY2022 survey, the “level of recognition and understanding of the Toyoda Gosei Guidelines for Business Ethics” was 95.6%, and the “level of recog-

■ Initiatives for the Prevention of Antitrust and Competition Law Violations

The Toyoda Gosei Group Charter for Business Ethics states that we will conduct business activities with a spirit of “fair and free competition” (compliance with antitrust and competition laws). We have formulated the Codes of Conduct for Antitrust Law Compliance as guidelines to be followed by our employees, and are

■ Initiatives to Prevent Corruption

The Toyoda Gosei Group Charter for Business Ethics clearly states that in our relationships with government agencies, political parties, and public officials, we shall strictly refrain from any behavior that could be mistaken for “back-scratching” or cronyism in the eyes of society in general, and shall strive to maintain highly transparent and sound relationships. We have also formulated Global Anti-Bribery Guidelines as a

■ Early Detection and Correction of Problems Through an Internal Reporting System

We have established compliance consultation offices both inside and outside the company for the purpose of early detection and correction of problems related to violations of compliance, internal rules, and laws and regulations in the course of business operations. Outside lawyers are in charge of the external offices to deal with problems from an objective standpoint. This system allows all employees of the company and family members living with them to consult anonymously, and the company takes thorough measures to protect their privacy and ensure that they will not be treated unfairly because of their report.

In addition to the internal consultation office of each Group company in Japan, inquiries are also handled at an external compliance consultation office

including a “Compliance Academy” that is regularly published in the company newsletter, and Compliance KY Case Studies.

tion and understanding of compliance educational tools” was 93.4%.

Domestic and overseas group companies conduct annual self-inspections of the status of their compliance advocacy systems and major risks including antitrust and competition laws, bribery, internal control, labor, accounting, procurement, and quality. The results of the inspections are checked by each of the company’s functional departments, and a feedback report is prepared. Each Group company then makes improvements based on the report and strives for thorough compliance through the PDCA cycle.

working to ensure thorough compliance by employees through training and educational activities. Antitrust law compliance manuals based on the laws of each country are prepared for the regions where Group companies are located, and initiatives are made to prevent anticompetitive acts globally.

common guide for global activities, and are making efforts to prevent bribery, accounting fraud, and other forms of corruption. Education is provided to employees through various types of level-specific training and training for Group companies doing business in regions where there is high risk to prevent corruption.

that is used in common through external contacts. Overseas Group companies also have external or internal consultation services. In FY2021, as a result of making the consultation offices known to all, 42 reports and consultations were received from within the company and its domestic affiliates, mainly concerning labor management, workplace problems, and harassment. These cases were promptly investigated and appropriate corrective measures were taken to resolve the issues.

No. of Compliance Reports/Consultations (Japan)

FY	2018	2019	2020	2021
No. of cases	40	48	69	42