



## Changes in numbers of directors and Audit & Supervisory Board members

Toyoda Gosei appointed three outside directors, Sojiro Tsuchiya, Kimio Yamaka, and Mayumi Matsumoto, at its annual shareholders' meeting on June 17, 2021. The

Audit & Supervisory Board has three incumbent outside members: Chika Kako, Hideomi Miyake and Masami Hadama.

### Election of outside directors and outside Audit & Supervisory Board members

Appointment	Name	Independent director	Reason for appointment
Outside directors	Sojiro Tsuchiya	○	To benefit from his management oversight and advice based on his extensive experience, including as a director of Denso Corporation, and his expertise, including full-spectrum manufacturing expertise cultivated over decades at Denso and other companies/groups. Mr. Tsuchiya has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Kimio Yamaka	○	To benefit from his management oversight and advice based on his extensive experience and expertise in finance, particularly policy finance, project due diligence and the environmental and energy sectors. Mr. Yamaka has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Mayumi Matsumoto	○	To benefit from her management oversight and advice based on her extensive experience and high-level insight as a news anchor and researcher in the broad fields of social issues, environment and energy in the management of Toyoda Gosei. Ms. Matsumoto has been designated as an independent director because she meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
Outside Audit & Supervisory Board members	Chika Kako		To reflect in Toyoda Gosei's audits her wealth of experience and keen insight gained from her career at Toyota Motor Corporation, where she served mainly in vehicle development and materials development roles and was involved in management as a managing officer.
	Masami Hadama	○	To reflect his extensive experience and deep insight in law in the auditing of Toyoda Gosei. Mr. Hadama has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Hideomi Miyake	○	To reflect his extensive experience and deep insight as a corporate manager in the auditing of Toyoda Gosei. Mr. Miyake has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.

## Ensuring the effectiveness of the Board of Directors

To improve the Board of Directors' effectiveness, Toyoda Gosei annually debriefs Board members. In FY2020, Toyoda Gosei again assessed the Board's effectiveness, debriefing all nine directors and all five Audit & Supervisory Board members. Finding no material deficiencies across any of its assessment rubrics, it concluded that the Board continues to function effectively. During the debriefing process, the following suggestions to further improve Board effectiveness were made, mainly by outside directors.

Regarding the Board's roles and responsibilities, the directors and Audit & Supervisory Board members agreed that the Board is appropriately sized and possesses an appropriate mix of expertise, but some recommended endeavoring to add more diversity to the Board to fulfill growth strategies going forward.

Regarding Board deliberations, outside directors in particular lauded the candor and liveliness of Board discussions but some recommended more discussion of future strategies and risk mitigation with respect to, e.g., decarbonization.

Outside directors and Audit & Supervisory Board members reported that they find the liaison meetings scheduled monthly to give them a better understanding of management issues and individual businesses' respective operating environments and challenges to be helpful. We will accordingly offer them additional learning opportunities, including tours of business sites.

We will endeavor to further upgrade Board effectiveness by making improvements in response to the issues raised and suggestions made during the FY2020 assessment of Board effectiveness.

## Executive compensation

Directors' compensation consists of monthly fixed compensation and performance-based compensation in the form of cash bonuses (short-term incentive) and stock-based compensation (long-term incentive) based on the idea that directors should be appropriately incentivized to pursue sustained growth in Toyoda Gosei's value. Directors' compensation is split roughly 70:20:10

among monthly compensation, cash bonuses and stock-based compensation, respectively.

Monthly compensation is set at a fixed amount that reflects the recipient's job responsibilities and experience as well as compensation levels at other companies. Cash bonuses are based primarily on fiscal yearly consolidated operating profit. Secondary variables that factor into

## Governance (G)

their determination include the degree to which fiscal yearly plans are attained, employees' bonus levels, bonus levels at other companies, medium/long-term earnings, previously paid bonus amounts and contributions to ESG management. Stock-based compensation is intended to be an incentive to pursue sustained growth in Toyoda Gosei's value. It is paid in the form of restricted stock to promote greater sharing of value with shareholders.

Directors' aggregate annual cash compensation (monthly compensation plus bonuses) is capped at ¥650 million (outside directors' share of which is capped at ¥65 million). Directors' aggregate annual restricted stock-based compensation is capped at ¥100 million (outside directors are not eligible for restricted stock-based compensation). All three compensation caps were approved at the annual shareholders' meeting on June 12, 2020.

Outside directors and Audit & Supervisory Board members receive only fixed monthly compensation because their role is to oversee and monitor management from an independent vantage point.

Individual directors' compensation is set in accord with the above policies following a fair and transparent review/reporting process by the majority-independent Executive Compensation Committee, established in 2019.

At Executive Compensation Committee meetings,

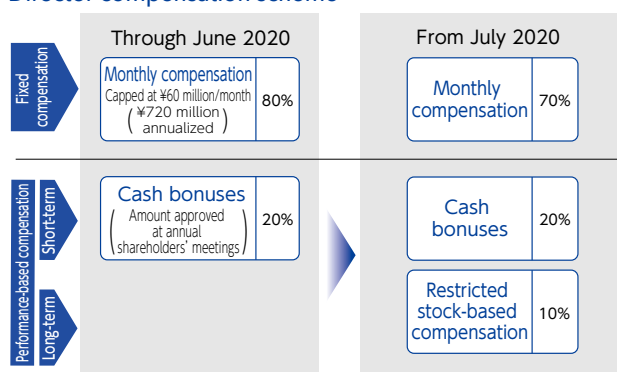
outside directors have made suggestions about further enlarging the incentive element of director compensation by, e.g., adjusting compensation to reflect the extent of directors' respective environmental contributions.

In March 2020, outside directors replaced the Executive Compensation Committee and Executive Appointment Committee's previous chairs in the aim of making the committees even more objective and transparent.

### Committees' roles and composition

Name	Role	Members
Executive Compensation Committee	Deliberates and reports on the compensation system for directors and their individual compensation (Restricted stock-based compensation, etc.)	Toru Koyama President, Naoki Miyazaki Director, Sojiro Tsuchiya Outside Director (Chairperson), Mayumi Matsumoto Outside Director
Executive Appointment Committee	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members (Appointment of president, etc.)	Toru Koyama President, Naoki Miyazaki Director, Sojiro Tsuchiya Outside Director, Kimio Yamaka Outside Director (Chairperson), Mayumi Matsumoto Outside Director

### Director compensation scheme



### The total compensation for each officer class, the total by each type of compensation, and the number of officers receiving the compensation

Officer class	Total executive compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of subject officers Monthly (People)
		Fixed compensation	Performance-based compensation	Non-cash compensation	
		Monthly compensation	Cash bonuses	Stock-based compensation	
Directors (excluding outside directors)	376	250	98	26	7
Audit & Supervisory Board members (excluding outside members)	76	76	-	-	3
Outside officers	70	70	-	-	7

Note: Bonuses are the provision of allowance in the given fiscal year.

## Communication with shareholders and investors

Toyoda Gosei makes arrangements to engage constructively with shareholders and investors through organic coordination among concerned organizational units. Such arrangements include scheduling opportunities for shareholders/investors to engage with management and disclosing requisite information.

Means of engagement with institutional investors include financial results briefings conducted by the president and/or other senior executives, small meetings, ESG briefings, facility tours and one-on-one meetings between investors and IR staff, including the officer in charge. Means of engagement with individual investors include company briefings.

While in-person engagement has been largely precluded by the pandemic, Toyoda Gosei continues to remotely engage with shareholders/investors online.

Input obtained from shareholders/investors through such engagement is transmitted to the senior management team and Board of Directors and acted upon if deemed conducive to the Company's sustained

growth or otherwise value-additive.

In compliance with fair disclosure rules, Toyoda Gosei restricts dialogue with shareholders and investors and thoroughly controls information in the company during a silent period before earnings reports are released. If insider information emerges in the company, it is tightly controlled as part of thorough information management.

### Main IR activities

Targeted persons	IR activities	
Domestic institutional investors (including securities analysts)	Financial results briefings, Small meetings, ESG briefings, Facility tours, Business briefings, Individual discussions	• Issuance of the "Toyoda Gosei Report"
Overseas institutional investors	Individual discussions, Participation in IR events	• Dissemination of financial information and IR materials on the website
Individual shareholders and investors	• Company briefings • Plant tours after annual shareholders' Meeting • Issuance of "Interim Report on Business Results"	