

Interview with Outside Directors



Sojiro Tsuchiya

Career summary

Toyoda Gosei director since June 2015
Formerly executive vice president,
Denso Corporation

Mayumi Matsumoto

Career summary

Toyoda Gosei director since June 2019
Visiting Associate Professor,
Komaba Organization for
Educational Excellence (KOMEX),
The University of Tokyo (current)

Kimio Yamaka

Career summary

Toyoda Gosei director since June 2016
Director of the Energy Strategy
Institute Co., Ltd. (current)

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Corporate Governance Initiatives

Tsuchiya – Overall, I think that the company is making efforts honestly and in good faith. Boards and structures have been established, and I think policies and plans have been well discussed and fairly well developed.

Yamaka – A new Sustainability Meeting has been established to provide a holistic view of not only ESG initiatives, but also technical and audit perspectives. It has become possible for us to repeatedly confirm and perceive intents in conjunction with the discussions of individual boards, and make comments and recommendations that are more in line with the actual situation.

Matsumoto – We appreciate the positive attitude of the company in setting up the necessary meetings and identifying and addressing sustainability issues on a company-wide basis.

Tsuchiya – I think the question now is how to implement and execute the decisions that have been made.

Effectiveness of Outside Directors

Tsuchiya – I believe that progress has been made, especially in the areas of sustainability and carbon neutrality, thanks to Mr. Yamaka and Ms. Matsumoto, who specialize in these areas.

Matsumoto – Shortly after my appointment as an outside director in 2019, I advised the company to review the materiality it had established for ESG. At that time, Toyoda Gosei had committed to all 17 of the SDGs, but after further discussion we decided to review these commitments and have now reestablished our focus to concentrate on eight of the most relevant SDGs for the company.

Tsuchiya – To work toward and achieve the company's goals, further advances in many technologies for product development and production will be essential. I have also offered a variety of advice and suggestions in this regard.

Yamaka – I always emphasize the importance of company-wide objectives and their significance,

as well as perspectives that recognize external stakeholders.

For example, for large-scale investments such as new factory construction, I ask whether the choice of location and business site are optimal and whether the investment is a priority with consideration of all business areas. When making a large-scale investment, I always make sure that a carbon-neutral perspective is taken into account. With regard to investment decisions on renewable energy and energy efficiency, I have given advice from viewpoints that differ from the conventional rules, such as flexible consideration of the time it will take to recover the investment. Recently I have proposed quantification of energy saving and decarbonization benefits.

At the end of fiscal periods and the time of monthly operational reports, I ask questions and try to understand the numbers and interpretations of the factors in increases or decreases, mainly through an outside eye.

Improving Governance for the Future

Tsuchiya – Toyoda Gosei is a company that contributes to society through manufacturing. The most important thing in manufacturing is not to betray the trust of customers who use our products.

Today, we often hear about falsification or tampering with data related to quality among Japanese manufacturing companies. I believe that one of the major themes in order to improve governance in the future is to review and create structures, a culture, and systems to ensure that such incidents never occur, and to maintain these things continuously.

These initiatives must be inclusive, involving not



only the company in Japan, but also domestic and overseas subsidiaries as well as suppliers, and material manufacturers. This is something that should be taken very seriously.

Matsumoto – Another aspect of the management foundation is the challenge of ensuring diversity among managers.

For example, I think that we need to continue to coordinate our approach to the appointment and promotion of women, mid-career hires, and foreign nationals.

We should also enhance the quality and quantity of disclosure of climate change measures, based on international frameworks such as the TCFD. The company's initiatives to address issues around sustainability should also be disclosed more proactively than before. I believe that these are things we can do.

Yamaka – Disclosure of non-financial information, including governance, is becoming increasingly important. I hope the company will continue its initiatives to explain to the necessary stakeholders the background, its thinking, and what it is doing to face difficult challenges, as well as to demonstrate the improvements that have been made, in a readily understandable manner.

Environment Initiatives

Yamaka – The environment is clearly positioned as a key management issue. Relevant boards have been created and are being enhanced organizationally. In addition, I believe that steady progress is being made in data maintenance and fact finding.

It is commendable that a tentative general framework and schedule for carbon neutrality and interim goals have been established, and that we now have a guide for these efforts and predictability for implementation and procedures.

Meanwhile, the schedule for energy conservation investments, which are closely related to the company's core business, is affected by decisions on when and to what extent renewable energy and hydrogen will be used. Conversely, the appropriate introduction of renewable energy and green certificates can provide flexibility in the process of developing energy-saving technologies.

Renewable energy and hydrogen are closely related to public policy, and the associated technologies and

costs are strongly tied to domestic and international environmental and energy policy trends, beyond the automotive industry. We must be flexible in responding and changing in accordance with the situation as we anticipate it.

The rest will be executed according to the general framework, but I look forward to bold and speedy initiatives to earn money from this.



Matsumoto – I have a high opinion of the company's achievements so far and the fact that its environmental initiatives are constantly being reviewed and improved. Initiatives to save energy are also being steadily implemented in company factories and offices.

Toyoda Gosei has been selected by the Ministry of Economy as a company that is actively innovating to achieve carbon neutrality by 2050. Lively discussions on the development of new products and the introduction of services for decarbonization and carbon neutrality are also taking place at meetings as we move toward commercialization of these products and services.

It is gratifying that we outside directors also receive detailed explanations of new products and services.

Tsuchiya – There are some things that can be done for the environment just by making improvements to what currently exists, but more often than not major reforms are required. In a manufacturing company such as Toyoda Gosei, results cannot be achieved without the backing of technology and technical skills.

In the field of automotive parts using polymer materials such as plastic and rubber, which are the company's specialty, there seem to be high expectations for us to lead the industry in the shift to environmentally friendly products.

General environmental initiatives are important, but I believe that expectations for and the reputation of the company will depend on whether it

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is able to replace polymer automotive parts with environmentally friendly products and provide them to the world ahead of competitors.

Matsumoto – I look forward to the introduction of a business in which, in parallel with initiatives to reduce carbon dioxide (CO₂) emissions for the environment, a shift is made to building circular societies through things such as resource recycling, and then to a circular economy that creates markets and leads to new industries and employment.

Expectations for New Products for BEVs

Tsuchiya – A BEV, or battery electric vehicle, consists of more than just a battery, motor, and inverter. There is also the vehicle body, interior and exterior (IE) products, safety system (SS) products, and weatherstrip (WS) products. I believe that the wave of automobile electrification will also lead to changes in IE products and safety devices with demands for higher quality and lighter weight. That differentiation will center on two factors: intelligent performance, such as safety functions and autonomous driving, and the quality, comfort, and convenience of the vehicle's interior and exterior.

Considering this, there should be tremendous opportunities for the IE products and safety devices that Toyoda Gosei specializes in, depending how it is done. This will depend largely on whether we can propose IE products of unprecedented quality and airbags and other safety devices for the electric vehicle era ahead of other parts suppliers and even ahead of automakers.

Matsumoto – In the IE area, the design of illuminated emblems and other products that take advantage of the BEV character, as well as the design of the vehicle interiors, are simple and help to ensure safety, and may appeal to many drivers.

In the SS area, we should be able to expect growing needs for the development of safety devices suited to small BEVs (airbags that match the vehicle characteristics) and collision safety systems combined with seat belts.

Yamaka – In the FC area, involvement with the batteries and peripheral products that are symbols of BEVs is probably necessary in the sense of demonstrating the company's commitment to carbon neutrality. For

example, while optimization and lighter weight for the cooling system around the batteries in battery packs have been achieved, I expect to see initiatives to further increase added value. BEVs with solar roofs are expected to become more popular in the future, and the role of batteries and peripheral parts will increase further.

In non-automotive areas, the market related to carbon neutrality is the largest field of growth. Technologies in areas such as GaN, which contribute to energy saving and weight reduction, LEDs, and e-Rubber may be considered synonymous with the Toyoda Gosei name. The company also produces high-pressure hydrogen tanks, a key component of FCEVs, for which it received the 2021 "Technology Development Award" from Toyota Motor Corporation. I look forward to initiatives that encompass the entire hydrogen lifecycle (supply chain), from generation to transportation, storage, and disposal, with high-pressure hydrogen tanks at the core of the process. An accessible corporate story that drives carbon neutrality can be built with energy-saving and hydrogen-related technologies. Since exit strategies to cultivate demand are important for new products, I would like to see the company focus resources in this area.

Matsumoto – I am watching the trends in battery regulations as Europe moves toward a circular economy, and hope that the company is able to respond where its technology is involved for enactment of revisions to those regulations.



Technology That Takes Full Advantage of Recycled Materials

Yamaka – Toyoda Gosei is a company that develops and utilizes plastic and rubber materials and their raw ingredients. It is expected to be a leader in solving the problem of decarbonization of plastics and rubber. As a first step, it is developing technologies to recycle and use scrap materials generated in factories as raw materials for other products, and we are seeing positive results.

In the future, the company will be required to expand from in-house recycling and utilization to external recycling and utilization. In addition to the "entry point" of how to collect waste from other companies, there is an "exit point" of overcoming various hurdles that arise when such material is distributed and sold as a standard product. This will require initiative in coordinating with policy authorities, and so a company-wide initiative is expected.

The use of biomass and (synthetic) hydrogen materials is inevitable, and developing technologies for the use of recycled materials is becoming increasingly important as they will be the first in the framework of carbon-neutral materials. I hope that recycling strategies will be developed from this perspective.

Matsumoto – Material recycling, including material regeneration, resource recovery, and reclamation, in which waste is recycled as raw materials for the same product, has the advantage of matching supply and demand since the grade remains the same and recycling is done for the same product with the same intended use. Toyoda Gosei's value to society will be further enhanced by expanding from cascading*¹ to horizontal recycling*² through the development of single-material plastics and other measures.

*1 Recycling a used product into a different product or a product of lower quality

*2 Recycling of used products into resources that are then used again in the same product

Tsuchiya – I think this is an area where expectations from both society and our customers are high. The important thing now is that this is not a time for discussion but to bring this to a practical level as soon as possible.

However, changing materials is not an easy task. The functionality and durability of the part must be guaranteed, and production engineering and facilities must be developed for mass production. The biggest

hurdles are how to make such products cost-effective, acceptable to customers, and profitable.

I feel that a strong company-wide project or something, not just shouts of encouragement, is needed to make these things happen.

Matsumoto – Toyoda Gosei produces plastic and rubber products, and I hope that all employees will have a strong awareness of the importance of a circular economy and work toward it. For example, by developing technologies for the use of recycled materials as a means of creating long-term value from material waste. I look forward to initiatives for a transformation to a resource-recycling business model that is environmentally friendly and profitable.

Support for Initiatives to Enhance Corporate Value

Tsuchiya – The value of a manufacturing company is found in various places, but I believe that technical capability is the essence that enables the creation of this value. Technical capability includes not only product development, but also production technology, quality technology, material technology, sales and service technology, and technology related to on-site improvement activities, production management, and maintenance. I hope to continue to contribute to the improvement of Toyoda Gosei's manufacturing and technical capabilities.

Yamaka – I will continue to provide information related to energy and the environment both domestically and internationally. As I mentioned with regard to environmental initiatives, the key to building a strategy is to establish a general framework and timeline. It is important to watch rapidly changing domestic and international situations and be able to respond flexibly to these changes. I see one of the major roles of an outside director to be to offer advice on this general framework and flexibility.

Matsumoto – Since I have opportunities to make external presentations on automobile and storage battery policies, I keep myself open to trends in these policies around the world. I would like to provide feedback on information that I believe will be beneficial to the company.