

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.

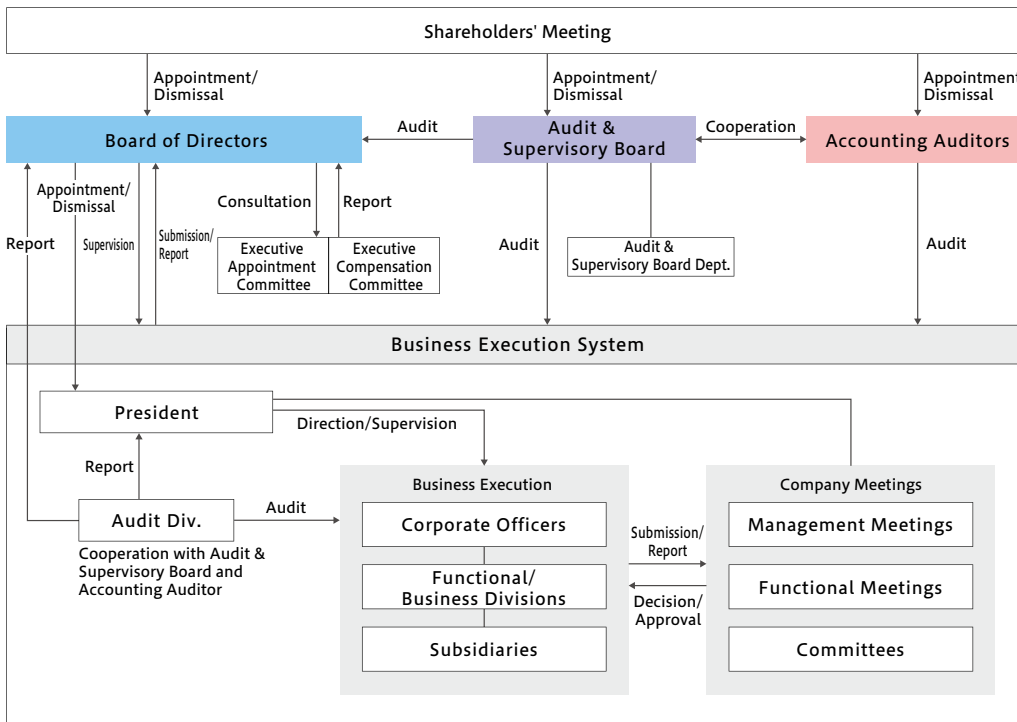
Internal Control Systems

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.

Corporate Governance System



Main Meetings & Committees

- Board of Directors
- Sustainability Meeting
- Chief of Headquarters Meeting
- Management Meeting

Functional Meetings

- Sales and Technical Meeting
- Research and Development Meeting
- Profit and Cost Meeting
- Production and Purchasing Meeting
- Human Resources Meeting
- IT Planning Meeting

Committees

- Internal Control Committee
- Export Control Committee
- Central Safety and Health Committee
- Carbon Neutrality and Environmental Committee
- Quality Committee

Sustainability Meeting

In November 2021, we established our new Sustainability Meeting with the aim of achieving sustainable corporate growth, improving corporate value, and contributing to the sustainable development of society. At this meeting we work diligently to discuss and decide on key action items related to sustainability, and confirm how the initiatives are progressing. The meeting is attended by all executives, including outside directors and outside Audit & Supervisory Board members to ensure that the Group's sustainability measures are implemented in a well-balanced way with transparency and a high degree of objectivity.

Frequency	Generally meets twice yearly
Chairperson	President
Members	All Directors and Audit & Supervisory Board members (including outside Directors and Audit & Supervisory Board members), and Chief of Headquarters
Main Agenda	<ul style="list-style-type: none"> • Make decisions on key action items related to sustainability • Report situation on key action items and target value • Make decisions on important external disclosure items

Executive Compensation Committee and Executive Appointment Committee

Toyoda Gosei's Executive Compensation Committee and Executive Appointment Committee are composed of members of which more than half are outside

directors. The chair of both committees is appointed from outside directors to further enhance transparency and objectivity. (Each committee met once in FY2021)

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, Kimio Yamaka, outside director (chairperson), Mayumi Matsumoto, outside director

Name	Role	Members
Executive Appointment Committee	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members (appointment of the president, etc.)	Toru Koyama, president, Naoki Miyazaki, director, Sojiro Tsuchiya, outside director, Kimio Yamaka, outside director (chairperson), Mayumi Matsumoto, outside director