

Governance



Building and operating transparent management systems for thorough Group-wide compliance

The entire Toyoda Gosei Group is striving to enhance corporate governance so that we can continue as a company of integrity that is trusted by society. To build and maintain fair and transparent corporate governance systems, we are increasing the effectiveness of the monitoring and auditing of corporate management by outside directors and Audit & Supervisory Board members, while also installing internal control systems company-wide to ensure the propriety and efficiency of work. Through Group-wide compliance activities, we are pursuing thorough legal compliance and business ethics.

We are also identifying risks with the potential to have a huge impact on our operations, and implementing risk management activities to prevent future problems.

Toru Koyama

Executive Vice President
Chief of Corporate Planning Division

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 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, monthly management meetings are held. Functional meetings and committee meetings relevant to key areas such as technology, costs, and personnel are also held as needed for good management decisions.

The Audit & Supervisory Board consists of five members 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.

In addition, Toyoda Gosei supports the Corporate Governance Code formulated by the Financial Services Agency and the Tokyo Stock Exchange, and has voluntarily implemented a range of policies based on the letter and spirit of those principles and rules to enhance our corporate governance.

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 an Executive Appointment Committee and Executive Compensation Committee under the Board of Directors as non-mandatory advisory committees. The roles and membership of the two committees are as follows.

Name	Role	Members
Executive Appointment Committee	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members	President Naoki Miyazaki (Chair), Outside Director Sojiro Tsuchiya, Outside Director Kimio Yamaka, Outside Director Mayumi Matsumoto
Executive Compensation Committee	Deliberates and reports on the compensation system for directors and their individual compensation	President Naoki Miyazaki (Chair), Outside Director Sojiro Tsuchiya, Outside Director Kimio Yamaka, Outside Director Mayumi Matsumoto

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,

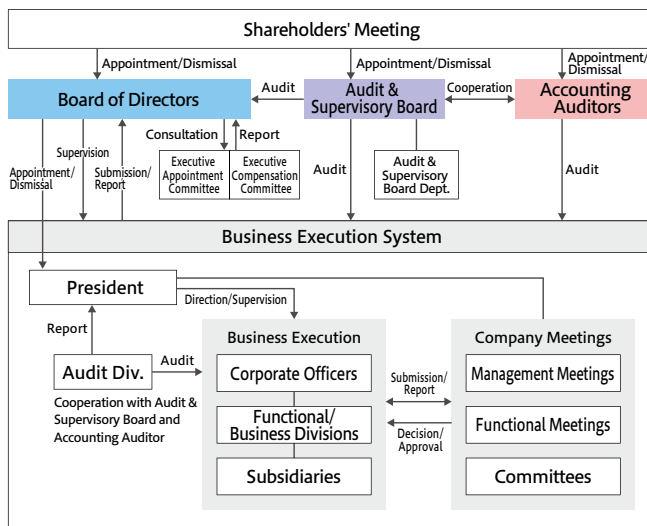
Internal controls for the Toyoda Gosei Group

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

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 effort to improve and reinforce them.

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 chart



List of major company meetings

	Meeting Name	Division in Charge
Management Meetings	Board of Directors	General Administration
	Management Meeting	Corporate Planning
Functional Meetings	Sales Meeting	Sales Planning
	Technical Development Meeting	Technical Administration, Production Engineering Management
	Profit and Cost Meeting	Finance & Accounting
	Production Meeting	Production Engineering Management
	Purchasing Meeting	Purchasing
Committees	Human Resources Meeting	Human Resources
	Compliance and Risk Management Committee	Legal, Corporate Planning
	Export Control Committee	Corporate Planning
	Safety and Health Committee	Safety & Health Promotion
	Environment Committee	Environment
	Quality Committee	Quality Assurance

Internal audits, Audit & Supervisory Board members' audits, and accounting audits

We have set up an Audit Division to handle internal audits. With the aims of achieving business objectives and preventing misconduct and mistakes, internal audits are conducted across the overall business (including audits of functional departments) based on an internal auditing plan approved by management at the beginning of each term.

The results of internal audits are reported to management, and audited departments are given recommendations for improvements based on the audit results. The effectiveness of internal audits is increased by checking their improvement plans and results.

Each Audit & Supervisory Board member follows the auditing policy and audit plan established by the Audit & Supervisory Board when investigating the Company and subsidiaries. They attend the meetings of important deliberative bodies and committees including the Board of Directors and management meetings, listen to reports on business from directors and others, inspect financial

statements and other important documents, and conduct on-site audits of offices and subsidiaries to audit the performance of duties by directors from the perspectives of ensuring legality and appropriateness, protecting assets and rights, and preventing loss. Moreover, a special department has been established to assist the auditors' audits.

The certified public accountants who performed the accounting audits of Toyoda Gosei are Eiichi Yamanaka and Tomohiro Nishimura of the firm PricewaterhouseCoopers Aarata LLC.

Audit & Supervisory Board members, internal auditing department personnel, and accounting auditors regularly meet to confirm their respective auditing systems, auditing policy, auditing plans, implementation status, and audit results. They cooperate in performing efficient and effective audits, contacting each other as needed to exchange ideas and share information.

Outside directors and outside Audit & Supervisory Board members

Toyoda Gosei appointed three outside directors, Sojiro Tsuchiya, Kimio Yamaka, and Mayumi Matsumoto, at its annual shareholders' meeting on June 14, 2019. Hideomi Miyake was also appointed as an outside Audit & Supervisory Board member. Together with current outside Audit & Supervisory Board members Takeshi Uchiyamada and Masami Hadama, a total of three outside Audit & Supervisory Board members have now been appointed.

When electing outside directors, emphasis is placed on extensive experience and deep insight in corporate management and other areas, in addition to outside requirements from the Companies Act. The outside Audit & Supervisory Board members elected are people with deep experience and knowledge in their field of specialty and corporate management. They also stand as outsiders with little direct vested interest and a certain distance from the management team.

Outside Audit & Supervisory Board members attend directors' meetings and serve to raise the viability of management oversight, such as seeking proper explanations for the status of the performance of the Board of Directors. They also visit offices and subsidiaries as appropriate to conduct direct audits while coordinating with other auditors. They meet regularly with accounting auditors and personnel of the internal auditing department, which has an internal control auditing function, to confirm their respective auditing plans, implementation status, and auditing results, and contact them as needed to exchange opinions and share information for efficient and effective auditing.

Election of outside directors and outside Audit & Supervisory Board members

Appointment	Name	Independent director	Reason for appointment
Outside directors	Sojiro Tsuchiya	○	To reflect his extensive experience and deep insight as a corporate manager in the management of Toyoda Gosei
	Kimio Yamaka	○	To reflect his extensive experience and deep insight in policy finance and the environmental and energy fields in the management of Toyoda Gosei
	Mayumi Matsumoto	○	To reflect 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
Outside Audit & Supervisory Board members	Takeshi Uchiyamada		To reflect his extensive experience and deep insight as a corporate manager in the auditing of Toyoda Gosei
	Masami Hadama	○	To reflect his extensive experience and deep insight in law in the auditing of Toyoda Gosei
	Hideomi Miyake	○	To reflect his extensive experience and deep insight as a corporate manager in the auditing of Toyoda Gosei

Messages from the outside directors

Counting on “One Team, One TG” in a radically changing situation

In the course of experiencing manufacturing and the automotive industry and being a company director since my appointment as an outside director in June 2016, I have gained a sense of Toyoda Gosei's integrity and technical competence as well as its emphasis on a sense of unity so that its many personnel can spread diverse products globally.

Currently, I specialize in environmental and energy research at a think tank and university, based on my experience in finance and research at a government-run financial institution.

I will engage in long-term corporate management and business decisions from a neutral standpoint, and focus on offering advice, drawing on my experience in making forecasts and proposals regarding a radically changing energy situation.



Kimio Yamaka
Outside director

Hoping to contribute in view of SDG initiatives and environmental technology trends

I have worked as an anchor and reporter on a TV news program and, since 2008, I have been engaged in research and education in the environmental and energy fields at the University of Tokyo. One thing that has stayed consistent over that time is my commitment to verifying things with my own eyes by going out to the scene and listening to people.

I believe that Toyoda Gosei's management philosophy of “Boundless Creativity and Social Contribution” reflects a spirit of tirelessly moving forward, overcoming difficulties in any era, taking as strengths its creativity and technological capabilities to blaze a path into the future.

Going forward, I hope to contribute to an increase in our corporate value and contribute to growth with initiatives that address sustainable development goals (SDGs) through business activities, in view of environmental technology trends.



Mayumi Matsumoto
Outside director
(newly appointed)



Executive compensation

Director compensation consists of base compensation and bonuses. The base compensation is within a range with an upper limit decided at the general shareholders' meeting, and determined in consideration of the duties of each position. The amount of bonuses is calculated in consideration of business performance and other factors, and determined through a resolution at the general shareholders' meeting.

The base compensation of Audit & Supervisory Board members is determined in consultation with the Audit & Supervisory Board members and within a range with an upper limit decided at the general shareholders' meeting.

Ensuring the effectiveness of the Board of Directors

At Toyoda Gosei, the Board of Directors Office conducts annual interviews of all directors and Audit & Supervisory Board members, including outside ones, on the effectiveness of the Board of Directors. The roles and responsibilities of the Board of Directors, the level of discussions, opportunities to improve effectiveness and other matters are assessed from

Communication with shareholders and investors

For constructive dialogue with shareholders and investors, we have established a system for conducting such dialogue in a coordinated manner, planning opportunities and sharing necessary information.

This dialogue is carried out through financial results briefings or small meetings for institutional investors with explanations by the Company's president or relevant officer; plant tours for institutional investors with explanations by the officer in charge; direct visits by the officer and persons in charge of IR to institutional investors; and other means. Based on the opinions and desires of shareholders and investors obtained, further opportunities for dialogue are being enhanced.

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

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." 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

Officer compensation

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 (People)
		Base compensation	Bonuses	
Directors (excluding outside directors)	407	311	96	9
Audit & Supervisory Board members (excluding outside members)	76	76	—	2
Outside officers	58	58	—	6

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

multiple perspectives and the results are reported to the Board of Directors.

The results of the assessment for fiscal 2018 showed that the Board displayed a sufficient level of effectiveness. Meaningful opinions were expressed in the assessment process, and efforts to improve the effectiveness will continue.

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)	Individual discussions, financial results briefings, facility tours, telephone conferences	<ul style="list-style-type: none"> • Issuance of the "Toyoda Gosei Report" • Dissemination of financial information and IR materials on the website
Overseas institutional investors	Individual discussions, participation in IR events	
Individual shareholders and investors	<ul style="list-style-type: none"> • Briefings for individual investors • Plant tours after annual shareholders' meeting • Issuance of "Report on Business Results" 	

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