

### 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 multiple perspectives and the results are reported to the Board of Directors. In FY2019, the Board was rated highly on a number of points, including appropriateness of matters

submitted/reported on at Board meetings and sharing of information with outside directors in addition to its composition and welcoming attitude toward candid discussion, both of which were ranked highly in FY2018 also. The assessment accordingly concluded that the Board's effectiveness increased in FY2019. At the same time, the Board still has room for improvement in certain areas. It will explore ways to further increase its effectiveness and improve on an ongoing basis.

#### Highly rated board attributes

- Board's size, composition and balance between executive and outside directors
- Atmosphere conducive to lively discussions
- Limited meeting agendas that allow for ample discussion of important matters to be submitted
- Support for outside directors, including access to information needed for Board deliberations

#### Needed improvements

- Clearer identification of medium- to long-term issues that should be addressed and more discussion of strategies for addressing them
- Faster response to urgent issues
- Easier-to-understand materials for Board meetings (reason for inclusion on agenda, big-picture view, relationship with business strategy, etc.)
- More opportunities outside of Board meetings for discussion, information sharing, etc. between outside and executive directors

### Executive compensation

Executive compensation consists of fixed monthly compensation and performance-based compensation in accord with the idea that executives should be appropriately incentivized to pursue sustained growth in shareholder value. The performance-based compensation consists of cash bonuses (short-term incentive) and stock-based compensation (long-term incentive). The fixed monthly compensation is set at a level that reflects the individual's job responsibilities and experience as well as compensation norms at other companies. Its base amount accounts for some 70% of total compensation, with cash bonuses (short-term incentive) and stock-based compensation (long-term incentive) respectively accounting for roughly 20% and 10%.

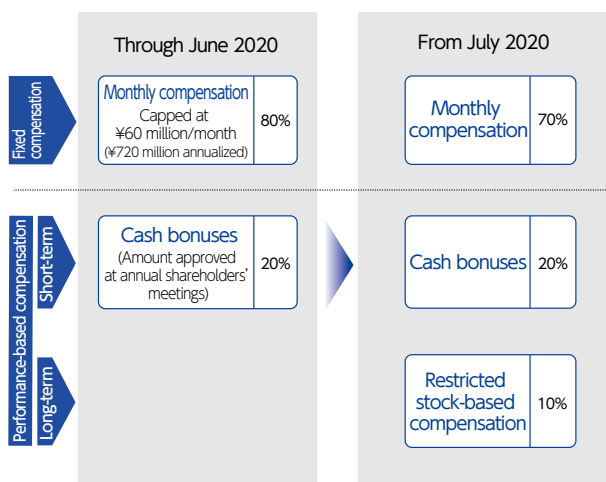
Outside directors and Audit & Supervisory Board members receive only fixed monthly compensation because their role is to oversee and monitor management from an independent vantage point.

Executives' cash bonuses are based on consolidated earnings for the period in question in addition to a number of other factors, including dividends, employees' bonus level, other companies' executive bonuses, medium- to long-term operating performance and previous bonus payment amounts.

Stock-based compensation is intended to as 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).

### Director compensation scheme



### 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)
		Monthly compensation	Bonuses	
Directors (excluding outside directors)	355	282	73	7
Audit & Supervisory Board members (excluding outside members)	76	76	—	2
Outside officers	67	67	—	6

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