

Risk Management

Basic Philosophy

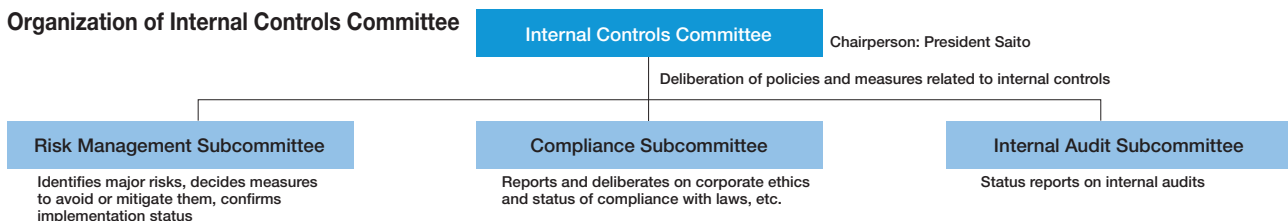
We are working to prevent risks that could have grave consequences for management and to minimize damage in adverse events. For these purposes, we identify risks in each function and make decisions on how to respond in meetings of the Board of Directors, Internal Controls Committee, and various general councils.

An Internal Controls Committee headed by the company president identifies key risks, determines measures to counter them, and checks on the progress in executing these measures. In this way,

these measures are made more effective.

In addition, initiatives to deal with key risks or unexpected risks due to political instability or other external factors are discussed regularly by the Board of Directors, and continuous improvements are made. Moreover, Risk Management and Response Guidelines have been established. These guidelines show the actions taken to prevent potential risks and to respond to problems appropriately and quickly.

Organization of Internal Controls Committee



Principal risk management activities



Response to Key Risks

Operating foundation risks (primarily handled by CRO) and business strategy risks (primarily handled by CFO) based on the business environment are assessed from the perspective of impact on operations (financial impact, etc.) and possibility of occurrence (frequency),

and key risks are identified.

Key risks are reflected in company policy as important action items, and initiatives are made to mitigate or prevent risks.

Examples of Key Risks

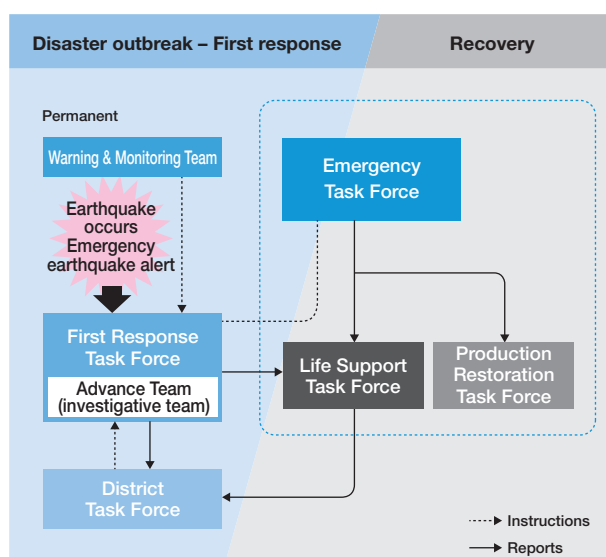
Classification		Main Key Risks	
Size of risk Impact on operations (financial impact, etc.) × Possibility of occurrence (frequency)	Large	<ul style="list-style-type: none"> ● Large-scale disasters (earthquakes, storm and flood damage, etc.) ● Risks, opportunities, and responses based on TCFD ● DX support ● Recalls due to serious quality issues 	<ul style="list-style-type: none"> ● Cyberattacks/scam emails ● Carbon neutrality measures ● Raw material procurement, energy price hikes, etc. ● BEV conversion measures ● Injuries and operation shutdowns due to serious work accidents
	Medium	<ul style="list-style-type: none"> ● Leakage of confidential information ● Trade friction 	<ul style="list-style-type: none"> ● Traffic accidents (causing serious damage/injury) ● Incidents of harassment
	Small	<ul style="list-style-type: none"> ● Antitrust law violations ● Business operations with partner companies 	<ul style="list-style-type: none"> ● Interruption of business operations due to fire or explosion accidents

Crisis Management Project in Anticipation of Large-Scale Earthquake Disasters

A crisis management system has been put in place for the event of a massive disaster, such as the predicted Nankai Trough earthquake or natural disasters due to climate change. This system is based on the principles of human life first, community support, and early recovery. Specifically, in addition to infrastructure and system measures based on the Crisis Management Project, resilience training has been conducted more than 180 times for directors and members of antidisaster departments since FY2013. These efforts are based on the company's belief that improving the skills of response personnel is essential. Specific procedures for the recovery of affected buildings, facilities,

and processes have also been established, and for alternative production in a production recovery system. Recovery training for design drawings and other data is also carried out so that product development can be continued even after disasters. In addition, workshops to strengthen crisis management not only in Toyoda Gosei companies but also at Group companies and suppliers are conducted regularly. Assessments using anti-earthquake measure implementation status check sheets, clarification of weak points with graphs, presentation of responses taken at Toyoda Gosei and other companies, and collaborative preparation of business continuation plans (BCP) are carried out.

Disaster Response



Initiatives to Date

Classification	Measures
Facility and equipment measures	<ul style="list-style-type: none"> ● Earthquake resistance measures for buildings and facilities ● Establishment of a disaster prevention center to serve as an operations base for the entire company in the event of a disaster ● Equipping all locations with a multi-channel access (MCA) radio system^{*1} and satellite phones ● Installation of crisis management servers (earthquake-resistant structure) and emergency power generators ● Operation of a DR² system and DCs^{*3}
System measures	<ul style="list-style-type: none"> ● Implementation of site and building safety assessments ● Training in operation of earthquake early warning systems and employee safety information systems ● Preparation of supply chain information ● Preparation of a business continuity plan (BCP)
Skills	<ul style="list-style-type: none"> ● Ongoing resilience training (disaster simulation exercises)

*1 Radio system used in Japan for various purposes, from daily operations to emergencies and disasters

*2 System for restoring and repairing damaged systems (Disaster Recovery)

*3 General term for special facilities equipped with and operating computers, data communications, and other equipment (Data Center)

Enhancing Our Global Risk Response

In response to global risks that occur not only in Japan but also in other countries (e.g., parts and raw material shortages, the Ukraine conflict, etc.), we are taking necessary actions on a global basis to quickly assess the situation (weekly BCP reports) both in

Japan and overseas. Standardization is also underway so that domestic and international locations can take measures on their own initiative, and we are enhancing our ability to respond to key risks seen in the business environment of each company.

Basic Policy for Cybersecurity Measures

To strengthen the control of confidential information, annual checks of the compliance status of each division based on company confidentiality management regulations are conducted together with onsite audits. Self-inspections are also done at Group companies in Japan and overseas, as well as at major suppliers. Confidentiality officers are assigned in all departments, and confidentiality education activities are conducted based on information system security operating

standards and a confidential information management manual. At domestic and international Group companies and major suppliers, specific measures are stratified and executed based on the size of the impact on Toyoda Gosei and inspection results for cybersecurity risk measures at each company. Regular reports and discussions are conducted in all company-wide councils, and cybersecurity measures are implemented together globally.

Main Cybersecurity Measures

Classification		Measures (domestic and international Group companies and suppliers respond in accordance with the size of the impact)	
Prevent leakage due to negligence	Facility and equipment measures	● Data encryption on personal computers	● USB device connection controls
	System measures	● Security measures when sending emails out of the company (mandatory cc to superior's email address, encryption of attached files)	
Prevent leakage and damage due to malicious intent	Facility and equipment measures	● Installation of computer anti-virus software ● Constant monitoring of unauthorized communications ● Prevention of unauthorized connections to the network	● Firewalls to control communication with outside parties ● Detecting and preventing tampering with systems open to the public outside the company
	System measures	● Confidentiality pledge ● Stricter standards for allowing items to be taken from premises	● Restricted access to file servers
Educational activities (morale measures)		● Security training for employees ● Company-wide confidentiality controls inspections and on-site audits using check sheets	● Training in responding to targeted email attacks

Compliance

Basic Philosophy

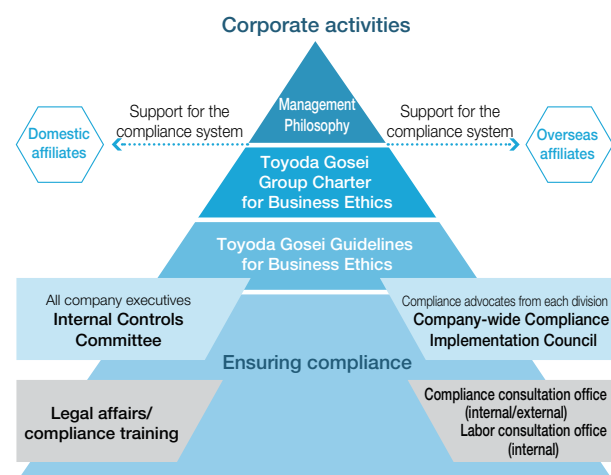
Toyoda Gosei's management philosophy states, "We promote business operations with integrity through the establishment of a system founded on thorough compliance and corporate ethics." Together with highly ethical and fair business practices, we strive for thorough compliance in all areas based on this philosophy. The Toyoda Gosei Group Charter for Business Ethics sets forth shared values and a

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

Compliance Implementation System

Toyoda Gosei has established the Internal Controls Committee with the Company's president serving as chairman and all company officers as members, whose activities include reporting on and discussing the status of compliance with business ethics, laws, and regulations. The items reported and discussed in the Committee are shared with the compliance advocates selected by each department in the Company-wide Compliance Implementation Council so that they will be incorporated into the activities of each workplace. The Committee works for thorough compliance with a unified approach between management and the workplace.

Toyoda Gosei Compliance Implementation System



Specific Compliance Initiatives

Training and Educational Activities

Toyoda Gosei conducts various training and education activities with the aim of raising and solidifying compliance awareness in every employee. Trainings are conducted by level in the company and by risks corresponding to the work. The level-specific trainings target new officers, new managers, mid-level employees, new employees and others as an opportunity to spread and deepen awareness of compliance at various career stages. Risk-specific training is conducted for specific risks. These trainings include training for transferees

prior to overseas assignments, antitrust law training for people in sales and other business departments, training for sports clubs, and more. The training programs are proactive in incorporating online training so that a large number of eligible participants can participate. Educational tools are also prepared, including a Compliance Academy that is regularly published in the company newsletter, and Compliance KY Case Studies using various case study materials.

List of Workshops/Education at Toyoda Gosei

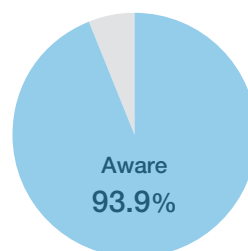
Category	Workshop name/education	Recipients	Main content	Frequency
Workshops	Workshops/study sessions for officers	Company officers	Company law, fiduciary duty, etc.	As needed
	New manager training	New managers	Compliance, mindset as a manager, antitrust laws, bribery, etc.	1 time/year
	Legal affairs/compliance training	General employees (mid-level)	Compliance, contracts, internal company regulations, laws (anti-trust laws, bribery, etc.)	1 time/year
	Fifth-year employee training	General employees (skilled workers)	Compliance in manufacturing settings	1 time/year
	New employee training	New employees	Compliance, laws	When joining the company
	Pre-overseas assignment training	Management/General employees	Key points on compliance in other countries (antitrust laws, bribery, etc.)	As needed
	Antitrust law training	Management/General employees (sales)	Laws, internal company regulations	1 time/year
	Product liability law training	Management/General employees (technical)	Laws, internal company regulations	1 time/year
	Training for sports clubs	Management/General employees (athletes, staff)	Compliance overall	1 time/year
Education	Compliance Academy (company newsletter)	All employees	Presentation of compliance cases	4 times/year
	Compliance KY Case Studies	All employees	Theme-based case studies and interpretations (100)	-

Compliance Awareness Surveys and Self-Inspections

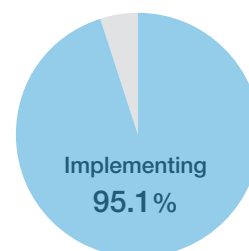
To ascertain the degree to which compliance awareness has been incorporated into the company and whether there are any signs of problems, we conduct an annual compliance implementation questionnaire survey of all employees. The results of the survey are reported to the Internal Controls Committee, and measures are implemented throughout the company, and each workplace also conducts improvement activities led by compliance advocates by referring to the departmental feedback reports of the questionnaires. Domestic and overseas Group companies conduct annual self-inspections of the status of their compliance implementation systems, status of compliance with antitrust and competition laws, bribery regulations, and other important laws and regulations, as well as risks in key functions including internal controls, human resources, accounting, procurement, and quality. The results of these inspections are reviewed by each functional

department of the Company, and feedback reports are provided to support each company in making improvements and taking action so that the entire Toyoda Gosei Group is working to ensure thorough compliance by implementing the PDCA cycle.

From the FY2022 Compliance Implementation Questionnaire



I am aware of most of the information in the Toyoda Gosei Guidelines for Business Ethics



We are implementing compliance and conducting awareness campaigns in the workplace

Initiatives for the Prevention of Antitrust and Competition Law Violations

The Group Charter for Business Ethics states that the Toyoda Gosei Group will conduct business activities with a spirit of “fair and free competition” (compliance with antitrust and competition laws). We have formulated the Codes of Conduct for Antitrust Law Compliance as guidelines to be followed by our employees, and are working to ensure thorough

compliance by employees through training and educational activities. Antitrust law compliance manuals based on the laws of each country are prepared for the regions where Group companies are located, and initiatives are made to prevent anticompetitive acts globally.

Anti-Bribery Initiatives

The Group Charter for Business Ethics clearly states that in Toyoda Gosei Group’s relationships with government agencies and political parties, we shall strictly refrain from any actions that could be mistaken for “back-scratching” or cronyism in the eyes of society in general, and shall strive to maintain highly transparent and sound relationships. We have also

formulated Global Anti-Bribery Guidelines as a common guide for global activities, and are making Group-wide efforts to prevent bribery, accounting fraud, and other forms of corruption. Education is provided to employees through level-specific training and training for Group companies doing business in regions where there is high risk to prevent corruption.

Initiatives to Ensure thorough Export Controls

Toyoda Gosei has established an import/export controls system to ensure that goods, technical materials, software, and other items subject to import/export restrictions, as well as items that violate laws and regulations (such as counterfeit products), are not taken out of the country or brought into the country without proper authorization.

In addition to ensuring compliance with laws and regulations through the Security Export Control System and company regulations, the Company ensures that domestic and overseas Group companies conduct installation and check for defects through self-inspection, and provide appropriate support in cooperation with the head office and overseas control companies.

Early Detection and Correction of Problems through an Internal Reporting System

We have established compliance consultation offices both inside and outside the company for the purpose of early detection and correction of compliance issues and violations of internal rules and laws and regulations in the course of business operations. Outside lawyers are in charge of the external offices to deal with problems from an objective standpoint. This system allows all employees of the company and family members living with them to receive consultations, and the company takes thorough measures to protect their privacy and ensure that they will not be treated unfairly because of their report. In addition to the internal consultation office of each Group company in Japan, they also have a common external compliance consultation office with

the Company. Overseas Group companies also have external or internal consultation services. In FY2022, as a result of making the consultation offices known to all and building trust, 66 reports and consultations were received from within the company and its domestic affiliates, mainly concerning labor management, workplace problems, and harassment. These cases were promptly investigated and appropriate corrective measures were taken to resolve the issues.

No. of Compliance Consultations/Reports (Japan)

FY	2019	2020	2021	2022
No. of cases	48	69	42	66