

Interview with Outside Directors

New outside directors Takashi Wada, appointed in June 2023, and Shigeki Maeda, appointed in June 2024, shared their candid perspectives on our ongoing corporate governance reforms and evaluations of the 2030 Business Plan, along with the key issues they have identified.



Takashi Wada

Outside Director

Shigeki Maeda

Outside Director

Amidst major changes in the automotive market,
I look forward to seeing the Company take on challenging initiatives to
showcase our presence and create corporate value
that exceeds stakeholder expectations.

▶ Times of major transformation, call for proactive approaches that emphasize bold attitudes

Maeda: At JETRO, I have supported numerous companies; international business endeavors, conducting interviews with local companies and visiting production sites. Based on that experience, I see three distinct strengths when evaluating the Company. The first is on-site strength. When visiting our factories and technical centers, I see employees who are committed to manufacturing and work diligently every day to improve processes. This dedication creates safe workplaces and

results in high-quality products that excel in terms of cost and competitiveness, which is truly inspiring.

The second strength is organizational unity. Our slogan, ONE TEAM, ONE TG., has permeated the entire organization, creating an open and collaborative atmosphere. Unlike many large companies where departments can become isolated, our management consistently emphasizes unity and teamwork in building our organization.

The third strength is commitment to environmental sustainability. In 2017, a year after the Paris Agreement, we announced our goal to achieve carbon neutrality by

2050. Last year, we set an even more ambitious target to achieve carbon neutrality for Scopes 1 and 2 emissions by 2030. Through innovative production technologies, continuous daily energy-saving improvements, and a transition to renewable energy, we are genuinely pursuing carbon neutrality. I believe these efforts will be highly valued by society. If we can showcase these strengths more widely, it will significantly boost our credibility and brand value, so I look forward to seeing a stronger media strategy in the future.

Wada: Our employees' seriousness and sincerity, along with their pride and sense of security as part of a leading Japanese group, might be factors in why we're not so adept at promoting ourselves. While these qualities are undoubtedly positive, they also reflect a certain caution toward change. Today's VUCA era requires agility in the face of change, so I feel we need to bring a more proactive "challenge-oriented mindset" to the forefront. In recent years, structural shifts are occurring everywhere, and the automotive industry is in the throes of major transformations. Competing in the Chinese market will be challenging, and in ASEAN, there is a constant risk of losing market share to the rapid rise of Chinese companies. To win in such a competitive landscape, we must be agile. As we navigate these changing times and aim to enhance corporate value, I would like to see us be bolder in taking on challenging initiatives to overcome obstacles and seize success.

Maeda: Becoming too comfortable with the status quo risks being left behind by market shifts. Business success isn't solely about working with agreeable people. Without a somewhat untamed spirit, it's hard to stay competitive. Personally, I think we could use a few more people with a bit of an edge.

▶ Promoting governance reform conveys a strong intention to bring about change

Wada: Looking at our governance structure, this past year has seen significant reform, such as changes in

the composition of the Board of Directors, an increase in outside directors, and the appointment of female executives, all of which have introduced more diverse perspectives. These reforms seem to have accelerated the improvement of the Board's effectiveness. The shift in meeting content from mere reporting to a more strategic focus is a very positive trend, as is the participants' proactive approach toward open discussion. This shift reflects the executive team's awareness of the need to evolve governance.

Maeda: The Board of Directors now includes five internal and five outside directors, which helps ensure that the opinions of outside directors can be properly reflected in management decisions. This structure is a strong message from the executive team. However, current Board discussions remain largely at a peacetime level, and we don't yet know how the Board will respond when facing critical decisions. I believe it's essential to deepen discussions and conduct simulations in preparation for emergencies.

Wada: I agree with the need for further depth in discussions. Given the limited time available, we need to sharpen our focus on strategic topics and manage time more strictly. For instance, this year we introduced a written reporting system for the Board of Directors, which has proven highly effective for time management.

Maeda: To navigate the rapidly changing automotive industry, a shift in mindset is essential. This includes senior management taking on new approaches and challenges, which is no easy feat. Our role as outside directors is to drive reform forward by engaging proactively with the management team and providing recommendations. As we continue reforming the governance system, I hope to broaden the diversity within the executive team and make Board discussions more specific and strategic.

Wada: Enhancing corporate value also requires venturing into new businesses with a unique perspective. An example of a proactive challenge I can imagine us taking on is "developing technology and products to

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contribute to society while simultaneously creating new markets that enhance corporate value through innovative technology and product development that breaks away from conventional thinking.” Gradually increasing these unique, bold initiatives could create a highly positive trajectory for the Company.

» The challenges standing in the way of achieving the 2030 Business Plan lie in balancing and sharing responsibilities between business and regional operations

Maeda: The 2030 Business Plan sets ambitious management targets, with a goal of 1.2 trillion yen in revenue and 100 billion yen in operating profit, focusing particularly on North America, India, and China. I



interpret this plan as a commitment to expanding our sales to local automobile manufacturers and adapting to the new era, which I find a meaningful shift in the Company's direction and a clear signal of our willingness to take on challenges.

Wada: With the President strongly reinforcing this direction through IR, our role is to support that momentum. To raise revenue from 1 trillion to 1.2 trillion yen, we'll need to enhance our position within the Toyota Group while expanding sales beyond Toyota. This requires moving away from our traditional approach

and shifting our product development, marketing, and sales from a fulfillment to a proactive proposal model, along with a clear internal strategy to support this transformation.

Our current strategy is operating on three main axes: business, regions, and the head office function overseeing them. This structure sometimes makes governance less effective and causes resource shortages. To overcome these issues and achieve true growth, our business strategy division should carefully formulate and support these policies.

Maeda: The 2030 Business Plan covers various policies and goals for individual markets, but the most critical market is China, where BEV growth is well ahead. We are facing challenges in establishing our local sales and R&D structures, and without a solid plan to address these issues, our position may become difficult. Developing solutions for these challenges is urgent. I do have high expectations for the Indian market, where revenue growth has been strong. Given its demographic and domestic demand trends, India is set to continue growing, making it a highly promising investment opportunity. I believe now is the time to enhance our investments in India, and I intend to use my previous JETRO experience in the region to offer active recommendations.

In North America, a major source of our revenue and a key area in the 2030 Business Plan, maintaining our market presence while increasing visibility will be essential. We must enhance our strategies in North America, where we already collaborate with automobile manufacturers, such as Toyota and the Detroit Big Three, to ensure growth.

Each of these regions (China, India, and North America) has distinct challenges, but all are essential for our growth. Enhancing our initiatives in these markets will be key to achieving the 2030 Business Plan. We outside directors need to be actively involved, providing specific recommendations.

Wada: Enhancing group governance over our overseas subsidiaries and affiliates is an ongoing challenge in our global expansion. With more outside directors and a control structure in place, the Company is in a good position to prevent major issues like compliance scandals. However, we must continue enhancing governance without becoming complacent. Currently, the Company's structure operates on two axes, business and regions, but regional forces tend to be stronger overseas, making it challenging to unify governance on a global level. Prioritizing governance, not just the numbers, is crucial. Moving forward, it's essential to continue employee training and ensure that executives maintain a strong governance focus.

It's natural for regional heads to understand local characteristics best, and there's no issue with that approach. However, it's equally important not to defer too much or leave everything to regional leaders. Maintaining a balance and shared responsibility between business and regional leadership is essential for effective management.

▶ To enhance corporate value, the responsibility of outside directors is to support quick decision-making and flexible responses

Wada: In recent years, the importance of fraud prevention and compliance has increased significantly, especially for management and executives, who are expected to place compliance at the core of their responsibilities. As outside directors, we play a crucial role in this area. The Company must engage actively with internal and external stakeholders, as well as on-the-ground personnel, to observe actual conditions firsthand. By thoroughly understanding the field, as outside directors we can make well-informed contributions to the Board discussions and decisions, striving to provide rigorous oversight and constructive suggestions from an independent standpoint.

Maeda: Indeed, outside directors are tasked with acting

as a third eye to enhance the Company's risk management system. When tracing the root causes of misconduct or problems, it often comes down to information not being accurately communicated to top management. Preventing this requires comprehensive compliance training, as well as directly listening to the voices of on-the-ground staff to detect early risk indicators and encourage proactive responses. Regular training is also essential for all employees to deeply understand ethics and governance, and this training must be directly relevant to their daily operations. Our role as outside directors is, above all, to monitor with the objective of enhancing the corporate value of Toyoda Gosei. For the Company's growth, management reform based on data-driven insights is indispensable, and I intend to provide strategic guidance in this regard. Additionally, promoting employee well-being, creating a motivating work environment, and contributing to shared value creation (CSV) through community and partner engagement will be central to our monitoring from an independent perspective.

Wada: Supporting quick decision-making and flexible responses to enhance enterprise value is part of our duty. Especially in the area of DX, promoting these initiatives is vital for improving the Company's competitive edge. I built my career first in information systems and then continued to work in system development. I aim to leverage my experience to provide guidance that will lead to efficient data-based decision-making and concrete, actionable outcomes.

