

Governance <G>

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

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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 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.

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.

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 effort to improve and reinforce them.

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 the Compliance and Risk Management Committee and general meetings. A Compliance and Risk Management 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.

Moreover, Risk Management and Response Guidelines have been established. These guidelines show

the behaviors to adopt to prevent potential risks and to respond to problems appropriately and quickly. At the beginning of 2020, an emergency response task force led by the company president was set up to deal with the novel coronavirus. Actions taken to minimize the impact of the novel coronavirus included (1) preventing infection by promoting work from home, regulating business trips and visitors, and cancelling company internal events, (2) implementing measures for the event that an infection occurred in an employee, (3) maintaining our production network by monitoring issues, including at our suppliers, and (4) introducing profit improvement measures.

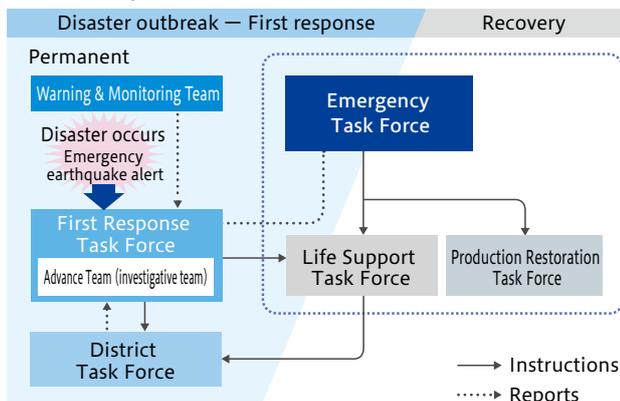
Crisis Management Project in anticipation of largescale earthquake disasters

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 a crisis management project, resilience training has been conducted more than 140 times for directors and members of anti-disaster 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 Toyota Gosei companies but also at affiliates and suppliers are conducted regularly. Assessments using anti-earthquake measures implementation status check sheets, clarification of weak points with graphs, introduction of responses taken at Toyota Gosei and other companies, and cooperative preparation of business continuation plans (BCP) are carried out.

Disaster response



Efforts 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 for anti-disaster department operations • Equipping all locations with a multi-channel access radio system (which is used in Japan for various purposes, from daily work to emergency and disaster situations) and satellite phones • Installation of a crisis management server (earthquake-resistant structure) and emergency power generators • Operation of a disaster recovery system for restoration of damaged systems and data centers (special facilities equipped with and operating computers, data communications, and other devices) |
| System measures | <ul style="list-style-type: none"> • Introduction of site and building safety decisions • Earthquake bulletin and employee safety information system training • Maintenance of supply chain information • Preparation of a business continuity plan (BCP) |
| Skills | <ul style="list-style-type: none"> • Continuation of resilience training (disaster simulations) |

Strengthening of global risk response

The status of risks, not just domestic but also frequently occurring global risks (tightening supply of parts and raw materials, coronavirus-related operations stoppages and more), is identified at an early stage both in Japan and internationally (issuance of a weekly

BCP), and necessary actions are taken by global TG. Standardization is also underway so that measurements can be taken by international locations on their own initiative, strengthening their risk response.

Strengthening information security measures and raising awareness

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 business locations. 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. Security control education is also conducted for new employees.



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

Compliance system

Toyoda Gosei has established the Compliance and Risk Management Committee with the Company's president serving as chairman and all company officers as members. The Committee's activities include reporting on and discussing that 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 Company-wide Compliance Advocates' Meetings so that they will be reflected in the activities of each workplace. The committee works for thorough compliance with a unified approach between management and the workplace.

Regular compliance liaison conferences are also held with Group companies in Japan. Group companies in other countries have also established compliance committees, appointed compliance advocates, or set up other compliance systems suited to the circumstances in their region and company. Compliance activities are carried out globally in coordination with Toyoda Gosei Co., Ltd.

Specific efforts

• Compliance activities

Toyoda Gosei conducts level-specific and risk-specific training with the aim of raising and solidifying compliance awareness in every employee.

Each year, a compliance sustainment questionnaire survey is conducted for all employees to check the depth of compliance awareness and whether there are signs of violations. *Kaizen* activities are then conducted based on the results.

At the same time, both domestic and international Group companies are establishing basic policies and advocacy systems for compliance, and carrying out their own inspections for risks in their main activities. The results of the inspections are checked by each functional department in Toyoda Gosei, and efforts are made for thorough compliance in the entire Toyoda Gosei Group with support for the *kaizen* and responses of each company through feedback reports.

• Efforts for the prevention of antimonopoly and competition law violations

Specific behavioral guidelines that Toyoda Gosei expects employees to follow in various business activities, especially sales, are embodied in the Codes of Conduct for Antitrust Law Compliance in the Company's internal regulations. Efforts are made for thorough compliance through training and education for employees.

Antitrust law compliance manuals based on the

sets forth shared values and behavioral standards for the entire Toyoda Gosei Group. Group companies in Japan and other countries then formulate and implement their own behavioral guidelines 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



laws of each country are prepared for the regions where Group companies are located, and efforts are made to prevent anticompetitive acts globally. Continuing education activities are also conducted through training specifically for antitrust and competition laws, regular level-specific compliance training, and other training.

• Anti-bribery efforts

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

• Early detection and correction of problems with internal reporting system

Compliance consultation offices have been set up both inside and outside the company. In external offices, outside lawyers who can deal with problems from an objective standpoint are in charge. Internal labor consultation offices have also been established to specifically handle labor troubles and harassment. In addition to internal consultation offices in all Group companies in Japan, an external compliance consultation shared with Toyoda Gosei has been established. At overseas Group companies, external or internal consultations offices have been established.