



## Changes in numbers of directors and Audit & Supervisory Board members

Toyoda Gosei appointed three outside directors, Sojiro Tsuchiya, Kimio Yamaka, and Mayumi Matsumoto, at its annual shareholders' meeting on June 17, 2021. The

Audit & Supervisory Board has three incumbent outside members: Chika Kako, Hideomi Miyake and Masami Hadama.

### Election of outside directors and outside Audit & Supervisory Board members

Appointment	Name	Independent director	Reason for appointment
Outside directors	Sojiro Tsuchiya	○	To benefit from his management oversight and advice based on his extensive experience, including as a director of Denso Corporation, and his expertise, including full-spectrum manufacturing expertise cultivated over decades at Denso and other companies/groups. Mr. Tsuchiya has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Kimio Yamaka	○	To benefit from his management oversight and advice based on his extensive experience and expertise in finance, particularly policy finance, project due diligence and the environmental and energy sectors. Mr. Yamaka has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Mayumi Matsumoto	○	To benefit from her management oversight and advice based on 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. Ms. Matsumoto has been designated as an independent director because she meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
Outside Audit & Supervisory Board members	Chika Kako		To reflect in Toyoda Gosei's audits her wealth of experience and keen insight gained from her career at Toyota Motor Corporation, where she served mainly in vehicle development and materials development roles and was involved in management as a managing officer.
	Masami Hadama	○	To reflect his extensive experience and deep insight in law in the auditing of Toyoda Gosei. Mr. Hadama has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Hideomi Miyake	○	To reflect his extensive experience and deep insight as a corporate manager in the auditing of Toyoda Gosei. Mr. Miyake has been designated as an independent director because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.

## Ensuring the effectiveness of the Board of Directors

To improve the Board of Directors' effectiveness, Toyoda Gosei annually debriefs Board members. In FY2020, Toyoda Gosei again assessed the Board's effectiveness, debriefing all nine directors and all five Audit & Supervisory Board members. Finding no material deficiencies across any of its assessment rubrics, it concluded that the Board continues to function effectively. During the debriefing process, the following suggestions to further improve Board effectiveness were made, mainly by outside directors.

Regarding the Board's roles and responsibilities, the directors and Audit & Supervisory Board members agreed that the Board is appropriately sized and possesses an appropriate mix of expertise, but some recommended endeavoring to add more diversity to the Board to fulfill growth strategies going forward.

Regarding Board deliberations, outside directors in particular lauded the candor and liveliness of Board discussions but some recommended more discussion of future strategies and risk mitigation with respect to, e.g., decarbonization.

Outside directors and Audit & Supervisory Board members reported that they find the liaison meetings scheduled monthly to give them a better understanding of management issues and individual businesses' respective operating environments and challenges to be helpful. We will accordingly offer them additional learning opportunities, including tours of business sites.

We will endeavor to further upgrade Board effectiveness by making improvements in response to the issues raised and suggestions made during the FY2020 assessment of Board effectiveness.

## Executive compensation

Directors' compensation consists of monthly fixed compensation and performance-based compensation in the form of cash bonuses (short-term incentive) and stock-based compensation (long-term incentive) based on the idea that directors should be appropriately incentivized to pursue sustained growth in Toyoda Gosei's value. Directors' compensation is split roughly 70:20:10

among monthly compensation, cash bonuses and stock-based compensation, respectively.

Monthly compensation is set at a fixed amount that reflects the recipient's job responsibilities and experience as well as compensation levels at other companies. Cash bonuses are based primarily on fiscal yearly consolidated operating profit. Secondary variables that factor into