

# Governance



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

**Toru Koyama**

Executive Vice President  
Chief of Corporate Planning Division

## 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 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, monthly management meetings are held. 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.

In addition, Toyoda Gosei supports the Corporate Governance Code formulated by the Financial Services Agency and the Tokyo Stock Exchange, and has voluntarily implemented a range of policies based on the letter and spirit of those principles and rules to enhance our corporate governance.

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. The roles and membership of the two committees are as follows.

Name	Role	Members
Executive Appointment Committee	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members	President Naoki Miyazaki (Chair), Outside Director Sojiro Tsuchiya, Outside Director Kimio Yamaka, Outside Director Mayumi Matsumoto
Executive Compensation Committee	Deliberates and reports on the compensation system for directors and their individual compensation	President Naoki Miyazaki (Chair), Outside Director Sojiro Tsuchiya, Outside Director Kimio Yamaka, Outside Director Mayumi Matsumoto

## 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,

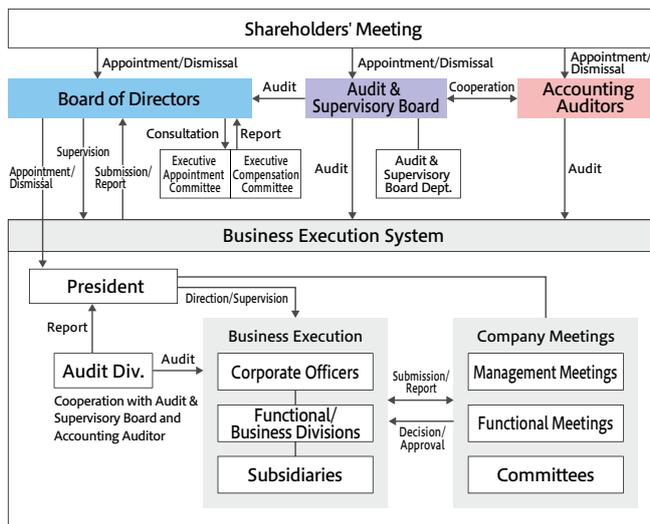
## Internal controls for the Toyoda Gosei Group

To cultivate a healthy internal control environment at Toyoda Gosei and its subsidiaries, all Group companies share its management philosophy. The Toyoda Gosei Group Charter for Business Ethics, a shared guideline for compliance, has also been instituted and expanded to subsidiaries. While respecting the independence of subsidiary management, we

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.

receive regular business reports from subsidiaries and set up systems to confirm the propriety and legality of subsidiaries' businesses through advance approval reports. We also send non-executive directors and Audit & Supervisory Board members to key subsidiaries in a system to monitor and act as a check on their business execution.

### Corporate governance system chart



### List of major company meetings

	Meeting Name	Division in Charge
Management Meetings	Board of Directors	General Administration
	Management Meeting	Corporate Planning
Functional Meetings	Sales Meeting	Sales Planning
	Technical Development Meeting	Technical Administration, Production Engineering Management
	Profit and Cost Meeting	Finance & Accounting
	Production Meeting	Production Engineering Management
	Purchasing Meeting	Purchasing
Committees	Human Resources Meeting	Human Resources
	Compliance and Risk Management Committee	Legal, Corporate Planning
	Export Control Committee	Corporate Planning
	Safety and Health Committee	Safety & Health Promotion
	Environment Committee	Environment
	Quality Committee	Quality Assurance

## Internal audits, Audit & Supervisory Board members' audits, and accounting audits

We have set up an Audit Division to handle internal audits. With the aims of achieving business objectives and preventing misconduct and mistakes, internal audits are conducted across the overall business (including audits of functional departments) based on an internal auditing plan approved by management at the beginning of each term.

The results of internal audits are reported to management, and audited departments are given recommendations for improvements based on the audit results. The effectiveness of internal audits is increased by checking their improvement plans and results.

Each Audit & Supervisory Board member follows the auditing policy and audit plan established by the Audit & Supervisory Board when investigating the Company and subsidiaries. They attend the meetings of important deliberative bodies and committees including the Board of Directors and management meetings, listen to reports on business from directors and others, inspect financial

statements and other important documents, and conduct on-site audits of offices and subsidiaries to audit the performance of duties by directors from the perspectives of ensuring legality and appropriateness, protecting assets and rights, and preventing loss. Moreover, a special department has been established to assist the auditors' audits.

The certified public accountants who performed the accounting audits of Toyoda Gosei are Eiichi Yamanaka and Tomohiro Nishimura of the firm PricewaterhouseCoopers Aarata LLC.

Audit & Supervisory Board members, internal auditing department personnel, and accounting auditors regularly meet to confirm their respective auditing systems, auditing policy, auditing plans, implementation status, and audit results. They cooperate in performing efficient and effective audits, contacting each other as needed to exchange ideas and share information.