

Governance

Establishing and operating transparent management systems to further enhance Group-wide corporate governance

To continue to be a trusted company, we are working to enhance corporate governance throughout the Toyoda Gosei Group. We are improving the appropriateness and efficiency of our operations by developing and operating internal control systems to create a fair and transparent corporate governance system, while we ensure its effectiveness through management supervision and audits by outside directors and outside Audit & Supervisory Board members. Furthermore, we are also implementing legal compliance, corporate ethics, and risk management activities.

Corporate Governance

■ Basic Philosophy

We view the enhancement and enhancing 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 effectively to a changing business environment.

Additionally, Toyoda Gosei pursues consummate corporate governance by voluntarily implementing a range of policies in accord with the letter and spirit of the ideals and principles in Japan's Corporate Governance Code, formulated by the Financial Services Agency and the Tokyo Stock Exchange.

■ Corporate Governance System

Toyoda Gosei has chosen an audit and supervisory board company 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 ten 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 such as strategies related to corporate management are reported and resolved.

A system of corporate officers is used to speed up decision-making and business execution. Furthermore, by introducing the Chief Officer System in June 2023 and transferring some of the president's authority and responsibilities to the Chief Officers, we will cross over the boundaries of business and regional operation bases to manage priority functions on a global basis, thereby realizing highly strategic business execution and accelerating the speed of management. Additionally, in June 2024, we delegated part of the Board of Directors' decision-making authority to the executive side. Through this, we aim to enrich the discussion of management strategies in the Board of Directors, establish new Special Execution Meetings on important matters, and enhance execution speed and autonomous management.

Moreover, for important business matters, decision-making meetings on important matters, General Managers' Council and Management Council meetings are held monthly. Functional meetings and committee meetings relevant to key areas such as safety, quality, environment, technology, revenue, and personnel are also held as needed to ensure appropriate 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.

The Company uses 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 enhance the supervisory function of the Board of Directors and to increase the objectivity and transparency of the decision-making process, we have established the Executive Compensation Committee and Executive Appointment Committee under the Board of Directors as non-mandatory advisory committees.

■ Internal Control Systems

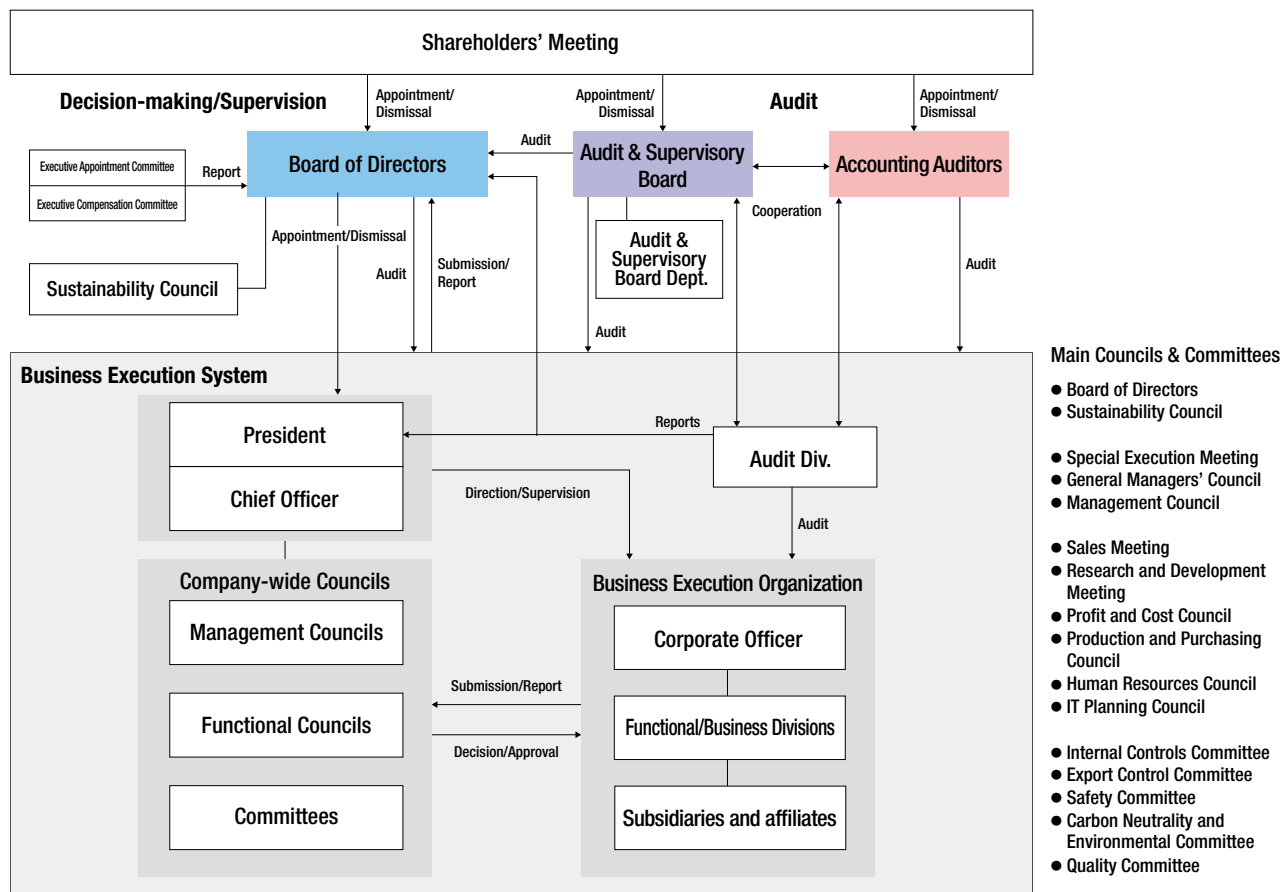
In accordance with the provisions of Japan's Companies Act, Toyoda Gosei has formulated a Basic Policy on Establishing Internal Controls. Under this policy, we are striving to ensure appropriate operations by establishing internal control systems, which help us deliberate important matters, establish 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 initiative to improve and reinforce them. In April 2023, we revised the basic policy with the

aim of enhancing and operating internal controls, including those for subsidiary management. In addition, we established a Regulatory Compliance Office in June 2023 to further reinforce our regulatory compliance framework. Regarding group management, to cultivate a healthy internal controls 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 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



Executive Compensation Committee and Executive Appointment Committee

Toyoda Gosei's Executive Compensation Committee and Executive Appointment Committee are composed of members of which more than half are outside directors.

The chair of both committees is appointed from outside directors to further enhance transparency and objectivity.

Name	Role	Members	Attendance (FY2023)
Executive Compensation Committee (Number of meetings in FY2023: 1)	Deliberates and reports on the compensation system for directors and their individual compensation (restricted stock-based compensation, etc.)	Naoki Miyazaki, chairman	1/1
		Katsumi Saito, president	1/1
		Mayumi Matsumoto, outside director (chairperson#)	1/1
		Takashi Wada, outside director	1/1
		Masanori Furukawa, outside director*	—
		Shigeki Maeda, outside director*	—
		Makoto Aou, outside director*	—

Appointed in June 2024 * Assumed position in June 2024

Name	Role	Members	Attendance (FY2023)
Executive Appointment Committee (Number of meetings in FY2023: 1)	Deliberates and reports on proposals regarding the appointment and dismissal of directors and Audit & Supervisory Board members (appointment of the president, etc.)	Naoki Miyazaki, chairman	1/1
		Katsumi Saito, president	1/1
		Mayumi Matsumoto, outside director (chairperson#)	1/1
		Takashi Wada, outside director	1/1
		Masanori Furukawa, outside director*	—
		Shigeki Maeda, outside director*	—
		Makoto Aou, outside director*	—

Appointed in June 2024 * Assumed position in June 2024

Sustainability Council

In November 2021, we established our Sustainability Council with the aim of achieving sustainable corporate growth, improving corporate value, and contributing to the sustainable development of society. In this Council, we work diligently to discuss and decide on key action items related to sustainability and confirm how the initiatives are progressing with a sense of urgency. Chaired by the

president, the Council consists of all directors, including those from outside the company, Audit & Supervisory Board members, and general managers of divisions, including those in overseas regions, and implements balanced sustainability measures with a high degree of objectivity and transparency.

■ Policies and Procedures to Appoint and Remove Senior Officers and Nominate Candidates for Directors and Audit & Supervisory Board Members

Nominations of candidates for directors and Audit & Supervisory Board members are made after deliberation and reporting by the Executive Appointment Committee, followed by a resolution of the Board of Directors and a subsequent Shareholders' Meeting.

The nomination policy for senior officer and director candidates is based on the candidate's personal

magnetism in terms of their ability to make accurate and prompt decisions after taking into account the balance of knowledge, experience, and capabilities of the management team and the Board of Directors as a whole. The candidates are comprehensively nominated and appointed on the basis of their ability to fully comply with laws and corporate ethics.

Skills Matrix

- The following table shows each director's and Audit & Supervisory Board (ASB) member's expected field of specialty based on their past experience.
- The composition of our Board of Directors and Audit & Supervisory Board (ASB) as a whole takes into consideration the balance of knowledge, experience, and abilities, as well as diversity and number of members.

Name * Assumed position in June 2023 ** Assumed position in June 2024	Naoki Miyazaki	Katsumi Saito	Hiroshi Yasuda	Masaki Oka	Mitsuhiko Nawashiro*	Mayumi Matsumoto	Takashi Wada*	Masanori Furukawa**	Shigeki Maeda**	Makoto Aou**	Kenji Oiso	Yamato Suzuki	Chika Kako	Hitoshi Kuwayama	Masahiko Yokoi*
	Chairman	President	Vice President	Director	Director	Director	Director	Director	Director	Director	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member
						Outside Independent	Outside Independent	Outside Independent	Outside Independent	Outside Independent			Outside	Outside Independent	Outside Independent
Skills	Executive Compensation Committee ◎ indicates chairperson	○	○			◎	○	○	○	○					
	Executive Appointment Committee ◎ indicates chairperson	○	○			◎	○	○	○	○					
Corporate management	●	●	●	●	●		●			●					●
Overseas operations	●	●	●		●				●						
Finance	●	●	●	●							●				
Legal/Risk management	●	●		●				●	●			●		●	●
Technology			●		●								●		
Manufacturing (production/quality management)			●		●		●						●		
Sales					●										
Environment and energy	●		●			●							●		
Personnel	●	●		●		●	●	●	●	●					●
DX	●	●	●	●	●		●		●	●					
New business (non-automotive)	●				●		●	●		●					
Attendance at Board of Directors' meetings (From 2023/4 to 2024/3)	13/13	11/11	13/13	13/13	11/11	13/13	11/11	—	—	—	13/13	13/13	13/13	13/13	11/11
Attendance at Audit & Supervisory Board meetings (From 2023/4 to 2024/3)	—	—	—	—	—	—	—	—	—	—	12/12	12/12	12/12	12/12	10/10

The nomination policy for Audit & Supervisory Board member candidates is to nominate candidates from a comprehensive perspective of putting the right person in the right position while ensuring a balance through diverse perspectives on corporate management, including knowledge of finance, accounting, and legal affairs, and

knowledge of the Company's business.

If a candidate for senior officer or director is found to have committed any fraudulent act or seriously violated any law or regulation, or the Articles of Incorporation, we will take procedures for their dismissal.

Reasons for Skill Selection and Its Definition

Skills required by the Board of Directors and Audit & Supervisory Board are selected to implement the medium- to long-term business plan with the aim of achieving sustainable growth and increasing the corporate value of the Company.

To make appropriate management decisions that contribute to the Toyoda Gosei's sustainable growth, corporate value and promotion of our medium- to long-term business plan based on experience and a proven track record in corporate management in the drastically changing global business environment surrounding Toyoda Gosei.

To grow our business globally by utilizing overseas business experience and knowledge of the overseas business environment and business management.

To establish an accurate financial reporting system and a solid financial foundation, to invest in growth to achieve sustainable growth and increase corporate value, and to realize appropriate shareholder returns.

To implement the establishment of a governance structure based on legal compliance and appropriate risk management, to build a foundation for sustainable growth and increased corporate value, as well as to improve the effectiveness of supervision.

To achieve sustainable business growth through technological innovation using advanced technology and through skills and expertise in medium- to long-term product planning and development.

To adopt innovative production technologies and improve manufacturing sites and to maintain and improve product quality as a company with its main focus on the automotive parts manufacturing and sales business.

To expand sales globally in response to changing customers needs and to continue to provide high value-added products based on skills and knowledge in preparation of sales strategies and information gathering through smooth communication with customers.

To accelerate and implement initiatives integrated with business operations in areas requiring environmental consideration and to fulfill our social responsibility.

To develop and maximize the abilities of each and every employee by utilizing knowledge of diversity, inclusion, respect for human rights, and well-being.

To implement business transformation and establish a corporate culture utilizing digital technology, which is necessary to enhance the Company's management foundation and build new businesses.

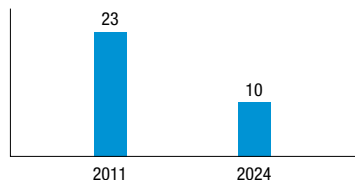
To plan and implement medium- to long-term plans to search for, develop, and launch new businesses in non-automotive fields, and to expand new businesses in the future.

■ Changes in Numbers of Directors and Audit & Supervisory Board Members

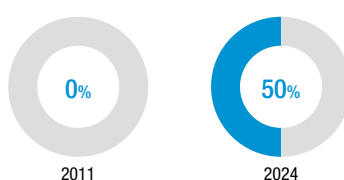
In 2012, Toyoda Gosei adopted a system of corporate officers and downsized its Board of Directors to nine directors from 23 as of 2011. It appointed its first outside director in 2015.

The Board currently comprises ten directors, five of whom are outside directors, accounting for 50% of the total number of directors. Two of the outside directors are women. The outside director appointments have increased the Board's objectivity and diversity.

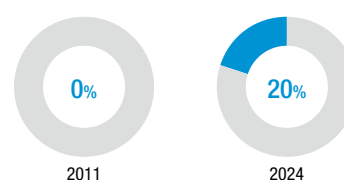
No. of Directors



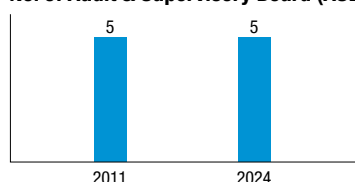
Outside Director Ratio



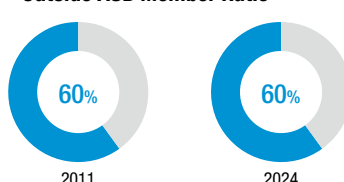
Female Director Ratio



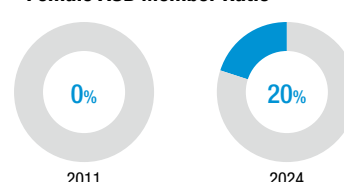
No. of Audit & Supervisory Board (ASB) members



Outside ASB Member Ratio



Female ASB Member Ratio



Major Initiatives to Enhance the Governance Structure

	2012	2015	2019	2020	2021	2022	2023	2024
Board of Directors and Audit & Supervisory Board	<ul style="list-style-type: none"> Reduced number of appointed directors 		<ul style="list-style-type: none"> Changed ratio of outside directors to 1/3 Established Executive Compensation Committee and Executive Appointment Committee Appointed a female director 	<ul style="list-style-type: none"> Appointed an independent outside director as a chairperson of both committees Appointed a female Audit & Supervisory Board member 				<ul style="list-style-type: none"> Changed ratio of outside directors to 1/2 Changes to Board of Directors' decision-making authority (delegation of partial authority to the executive side)
Business Execution System	<ul style="list-style-type: none"> Adopted a corporate officer system 	<ul style="list-style-type: none"> Started implementation of Japan's Corporate Governance Code 	<ul style="list-style-type: none"> Reduced the number of corporate officers 					<ul style="list-style-type: none"> Adopted the Chief Officer System
Councils and Committees	<ul style="list-style-type: none"> Corporate Conduct Ethics Committee Environmental Committee 		<ul style="list-style-type: none"> Changed name to Compliance and Risk Management Committee 			<ul style="list-style-type: none"> Established the Sustainability Council 	<ul style="list-style-type: none"> Changed name to Internal Controls Committee 	<ul style="list-style-type: none"> Changed name to Carbon Neutrality and Environmental Committee

■ Board of Directors

The Board of Directors deliberates from many different perspectives on the direction of management, including management and business strategies, then reports, discusses and makes resolutions on progress as necessary. In such a way, the Board supervises from a number of different viewpoints on whether management strategies are being executed appropriately. To enrich strategy discussions and ensure ample time for in-depth debate, we established Special Execution Meetings on

important matters on the executive side and delegated certain authorities. In addition to enhancing the Company's internal control system and risk management system, in recent years the Board of Directors has been working to achieve sustainable corporate growth amid a chaotic business environment, including changes in market conditions, economic security, geopolitical risks, and worsening environmental problems.

Main Agenda Items and Reports by the Board of Directors in FY2023

Topic	Main Agenda Items and Reports
Management/ Business Strategies	<ul style="list-style-type: none"> Medium- to long-term business strategy Annual policy Business execution reports (results, production, quality, safety, technology/development, intellectual property, priority risk management, etc.) Progress report on matters resolved by the Board
Corporate	<ul style="list-style-type: none"> Financial results, etc. Sustainability measures Appointment of directors and Audit & Supervisory Board members, appointment of executives, executive compensation Internal control systems, internal audit department reports
Investment and Loan Projects	<ul style="list-style-type: none"> Investment in buildings and facilities for expansion of domestic and overseas production bases Financing for domestic and overseas subsidiaries

Number of Agenda Items and Reports by the Board of Directors in FY2023

	1Q	2Q	3Q	4Q	Total
Agenda Items	15	7	12	8	42
Reports	13	7	12	11	43
Total	28	14	24	19	85

■ Evaluation of the Effectiveness of the Board of Directors

Effective functioning of corporate governance is essential for the Company's sustainable growth, to enhance corporate value, and to contribute to the sustainable development of society. Therefore, to ensure the effectiveness of the roles and responsibilities of the Board of Directors, evaluations and opinions are heard every year from members of the Board. The Board of Directors then analyzes, evaluates, and deliberates on measures for improvement. In FY2023, debriefings with all eight directors and all five Audit & Supervisory Board members were conducted to assess their performance. As a result, Toyoda Gosei found no material deficiencies across any of its assessments and concluded that the Board continues to function effectively.

As in the previous year, the Board received high ratings for its openness and candid discussions and support for outside officers. We believe that questions and opinions from outside officers are important for our decision-making process, and we will continue these efforts.

Regarding the long-standing issue of "medium- to long-term policy discussions," in FY2023, we enhanced communication outside the Board of Directors to deepen understanding among outside directors and outside Audit & Supervisory Board members. We supplemented information and understanding on our status, challenges, and strategies through activities such as outside executive liaison meetings, pre-meeting explanations, and site visits. As a result, we received evaluations indicating a positive contribution to deliberations and decision-making within the Board.

However, there were opinions that further expansion of strategic discussions was necessary. Therefore, we advanced the delegation of authority to the executive side, streamlined agenda topics for the Board of Directors, and secured time for long-term and strategic discussions to further improve the effectiveness of the Board of Directors. Through these efforts, we will work to further improve the effectiveness of the Board in the current fiscal year.

Board Effectiveness Evaluation Process

<Evaluation Method>	<Debriefing Items (Main Items)>
Interview: Eight directors and five Audit & Supervisory Board members Evaluation process: Analysis of interviews and debriefing results to ensure anonymity	<ul style="list-style-type: none"> • Roles and responsibilities of directors • Supervisory function of the Board • Deliberations within the Board • Support for outside officers <p>* More detailed sub-items are laid out under the main items of the debriefing to allow for a well-rounded evaluation.</p>

FY2023 Board Effectiveness Evaluation Results

Issues Identified	Measures
Expansion of strategic discussions on business, regional, and functional matters	Delegating authority to the executive side and narrowing down agenda topics to allow sufficient time for discussion
Enhancing the effectiveness of the succession plan	Creating opportunities for interaction with senior executives and executives who are future board candidates
Consideration of the executive compensation system (especially evaluation criteria)	Reviewing executive compensation systems to address social issues (including ESG and sustainability indicators)

Issues Evaluated in FY2022 for Board Effectiveness and Status of Initiatives in FY2023

FY2022 Effectiveness Evaluation Results (Issues)	Initiatives Situation in FY2023
Enhancing discussions on medium- to long-term plans and future visions	Enhance discussion of the 2030 Business Plan and its initiatives for medium- to long-term management strategy and corporate value enhancement (Issues Identified in FY2023, First Item)
Providing information to outside officers	<ul style="list-style-type: none"> • Provide more in-depth information through explanations of business operations by executives in charge • Enhance opportunities for discussion with officer candidates • Resume opportunities for on-site visits that had been suspended due to COVID-19 measures
Opportunities for exchange of opinions among outside officers	Plan opportunities for exchange of opinions among outside officers to further improve governance
Ensuring further diversity of the Board	Continue to select candidates with diversity in mind based on the skill matrix and to treat this as an ongoing issue for consideration

■ Expected Roles of and Support for Outside Directors

We have appointed five outside directors, each with a wealth of experience and keen insight, primarily in areas such as corporate management, manufacturing, environment and energy, international affairs, public administration, advanced IT, DX, new business creation, talent development, and organizational management. To further diversify the Board and promote women's participation, we appointed Makoto Aou, our second female director, following Mayumi Matsumoto, our first female director.

The five adeptly fulfill monitoring and advisory roles in addition to actively participating in Board discussions. In their monitoring role, they receive support in the form of departmental briefings on business operations and

challenges and direct access to frontline operations through on-site visits to domestic and overseas subsidiaries to better understand the actual state of operations. Additionally, they are briefed in advance on the content and background of resolutions to be voted on at Board meetings to facilitate sound decision-making.

At the same time, the outside directors advise on management and business challenges. Advisory opportunities include regularly scheduled liaison meetings attended by all outside directors and outside Audit & Supervisory Board members, each of whom attends various other meetings also, including the Sustainability Council, Carbon Neutrality and Environmental Committee meetings.

■ Outside Directors and Outside Audit & Supervisory Board Members

At the annual Shareholders' Meeting, held on June 14, 2024, Mayumi Matsumoto, Takashi Wada, Masanori Furukawa, Shigeki Maeda, and Makoto Aou were appointed as outside directors.

For outside Audit & Supervisory Board members, we selected Chika Kako as a new member, joining incumbent members Hitoshi Kuwayama and Masahiko Yokoi, for a total of three outside auditors.

Election of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members

Appointment	Name	Independent Director/Auditor	Reason for Appointment
Outside Director	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 auditor because she meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Takashi Wada	○	To benefit from his management oversight and advice based on his extensive experience and expertise in the management of manufacturing companies over many years. Mr. Wada has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Masanori Furukawa	○	Masanori Furukawa, with a background as a city council member and mayor, has devoted nine terms (36 years) to local government and municipal administration. His extensive experience and high level of insight are expected to provide valuable oversight and advice for the Company's management. Mr. Furukawa has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Shigeki Maeda	○	Shigeki Maeda brings rich international experience from years of overseas assignments and a broad network within government agencies and the business world, supported by his role as a JETRO board member overseeing organizational operations and management. Drawing on this wealth of experience and deep insight, he provides supervision and advice on our Company's management. Mr. Maeda has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Makoto Aou	○	Makoto Aou has an entrepreneurial and managerial background in advanced IT business, as well as experience supporting companies in new business creation, DX, and diversity promotion. Her extensive experience and insight are expected to contribute valuable oversight and advice to the Company's management. Ms. Aou has been designated as an independent auditor because she meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
Outside Audit & Supervisory Board Member	Chika Kako		To incorporate into 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.
	Hitoshi Kuwayama	○	To incorporate his extensive experience and deep insight as a lawyer in the auditing of Toyoda Gosei. Mr. Kuwayama has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.
	Masahiko Yokoi	○	To incorporate his extensive experience and deep insight as a manager in the auditing of Toyoda Gosei. Mr. Yokoi has been designated as an independent auditor because he meets the requisite criteria and is deemed free of potential conflicts of interest with regular shareholders.

■ 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 their determination include the degree to which fiscal yearly plans are attained, employees' bonus levels, bonus levels at other companies, medium- to long-term earnings, previously paid bonus amounts, and contributions to ESG management. Stock-based compensation is intended as an incentive to pursue sustained growth in Toyoda Gosei's value. It is paid in the form of restricted stock-based compensation to promote greater sharing of value with shareholders.

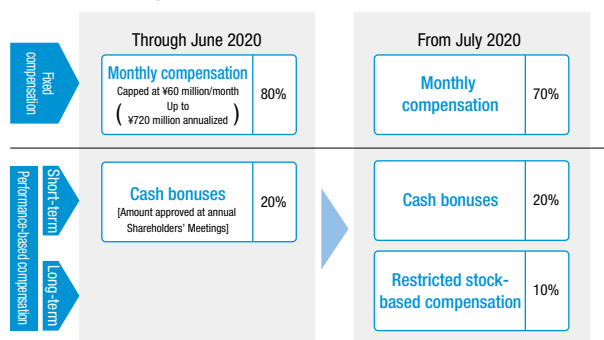
Directors' aggregate annual cash compensation (monthly compensation plus bonuses) is capped at 650 million yen (outside directors' share included). Directors' aggregate annual restricted stock-based compensation is capped at 100 million yen (outside directors are not eligible for restricted stock-based compensation). The compensation caps were approved at the annual Shareholders' Meeting on June 12, 2020. The total compensation for outside directors has been revised to a maximum annual limit of 100 million yen, as resolved at the June 14, 2024, Shareholders' Meeting.

Outside directors and Audit & Supervisory Board members receive only fixed monthly compensation because their role is to oversee and audit management from an independent vantage point.

Individual directors' compensation is set in accord with the above policies following a fair and transparent review/reporting process by the majority-independent Executive Compensation Committee.

At Executive Compensation Committee meetings, outside directors have made suggestions about further enlarging the incentive element of director compensation by, e.g., adjusting compensation to reflect the extent of directors' respective environmental contributions.

Director Compensation Scheme



Total Compensation for Each Officer Class, Total by Each Type of Compensation, and Number of Officers Receiving the Compensation

Officer Class	Total Executive Compensation (Millions of yen)	Total Amount by Type of Compensation (Millions of yen)			Number of Subject Officers (People)
		Fixed compensation	Performance-based compensation	Non-cash Compensation	
Director (excluding outside directors)	327	196	106	23	8
Audit & Supervisory Board members (excluding outside members)	78	78	—	—	2
Outside officers	69	69	—	—	8

* Bonuses are provisions for FY2022.

■ Internal Audits, Audit & Supervisory Board Members' Audits, and Accounting Audits

We have set up the Audit Division to handle internal audits. With the aims of achieving financial 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, Special Execution Meeting on Important Matters, General Managers' Council, and Management Council, 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 Audit & Supervisory Board members' audits.

The certified public accountants who performed the FY2023 accounting audit of Toyoda Gosei were Satoko Nakatani and Kosaku Kawahara of PricewaterhouseCoopers Japan 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.

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

Interview with Outside Directors

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.



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

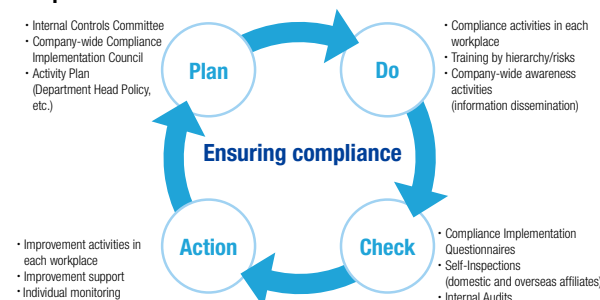
Toyoda Gosei has established the Internal Controls Committee with the Company's president serving as chairman and all company officers as members, whose activities include reporting on and discussing the status of compliance with business ethics, laws, and regulations. The items reported and discussed in the Committee are shared

Toyoda Gosei Compliance Implementation System



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.

Compliance Activities' PDCA



■ 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 Newsletter using various case study materials.

List of Workshops/Education at Toyoda Gosei

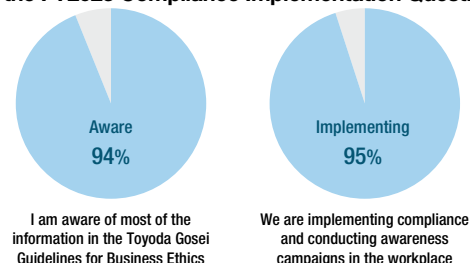
Category	Workshop name/education	Recipients	Main content	Frequency
Workshops	Workshops/study sessions for officers	Company officers	Company law, fiduciary duty, etc.	As needed
	New manager training	New managers	Compliance, mindset as a manager, antitrust laws, bribery including anti-bribery in general	1 time/year
	Legal affairs/compliance training	General employees (mid-level)	Compliance, contracts, internal company regulations, laws (antitrust laws and bribery including anti-bribery in general)	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 and bribery including anti-bribery in general)	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
Education	Training for sports clubs	Management/General employees (athletes, staff)	Compliance overall	1 time/year
	Compliance Academy (company newsletter)	All employees	Case studies presented in accessible comic format	4 times/year
	Compliance Newsletter	All employees	Legal understanding through other companies' cases	4 times/year
	Compliance KY Case Studies	All employees	In-house plausible 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, other important laws and regulations, and on the absence of corrupt practices including bribery, as well as risks in key functions including internal controls,

human resources, accounting, procurement, and quality. Based on these results, our functional departments guide each company in rule-setting and training, continuously reinforcing compliance across the Toyoda Gosei Group by implementing the PDCA cycle.

From the FY2023 Compliance Implementation Questionnaire



■ 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.

■ Initiatives to Prevent Corruption

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 corrupt activities (e.g. “back-scratching,” cronyism) including bribery, and shall strive to maintain sound relationships. We have also formulated Global Anti-Bribery Guidelines as a common guide for global activities, which clearly prohibit

bribery, facilitation payments, accounting fraud, and other forms of corruption, ensuring all employees are aware. For suppliers, we have developed a “Supplier Sustainability Guidelines” to prevent corrupt practices throughout the supply chain. These initiatives are reported to the Internal Controls Committee, which includes participation of directors.

■ 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 FY2023, as a result of making the consultation offices known to all and building trust, 84 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	2020	2021	2022	2023
No. of cases	69	42	66	84

Compliance Consultation Flow

