

Governance

We strive to be a socially responsible, trusted company based on a high level of corporate ethics.

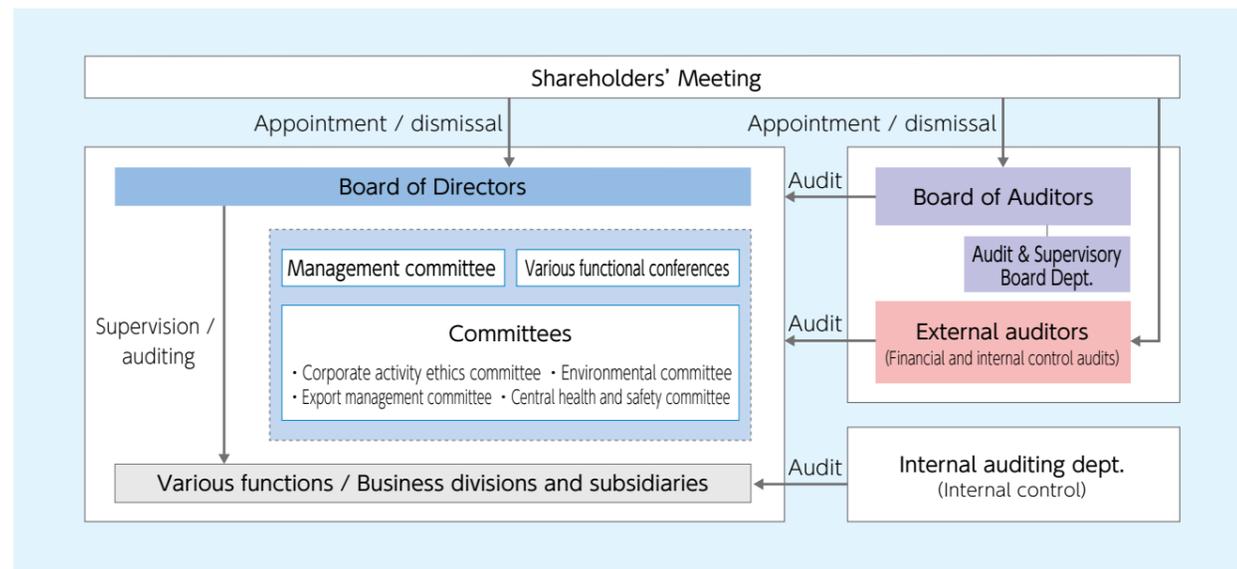
Corporate Governance

Toyoda Gosei aims to grow steadily as a global company, contributing to social development with the values of creativity and service to society in our corporate philosophy. To achieve this, we are strengthening our corporate governance from the perspective of shareholder value. To meet the expectations of stakeholders, we maintain organizational systems that can respond rapidly and appropriately to environmental changes and a sound management system that is both fair and transparent.

Specifically, we have limited directors' terms to one year and appointed corporate officers to

separate business execution from management supervision in order to respond flexibly to changes in the business environment and to clarify management responsibilities. To raise the transparency and health of our operations, we appointed an external director in June 2015 and then increased the number to several external directors in June 2016 to strengthen oversight and supervisory functions of our directors. We have also established deliberative bodies and committees that will be involved in discussing and deciding important matters and checking business execution.

Corporate governance system



Toyoda Gosei appoints five auditors, including three from outside the company, to serve on its auditing system board. This Board of Auditors oversees and audits management status including the execution of directors' duties. Our internal Audit Division discusses auditing plans with the auditors and meets regularly to maintain close coordination and share information. It also coordinates with accounting auditors to strengthen auditing functions. An Audit & Supervisory Board Department under the direct control of the Board of Auditors has also been established to raise the efficacy and independence of audits and ensure that auditing work is

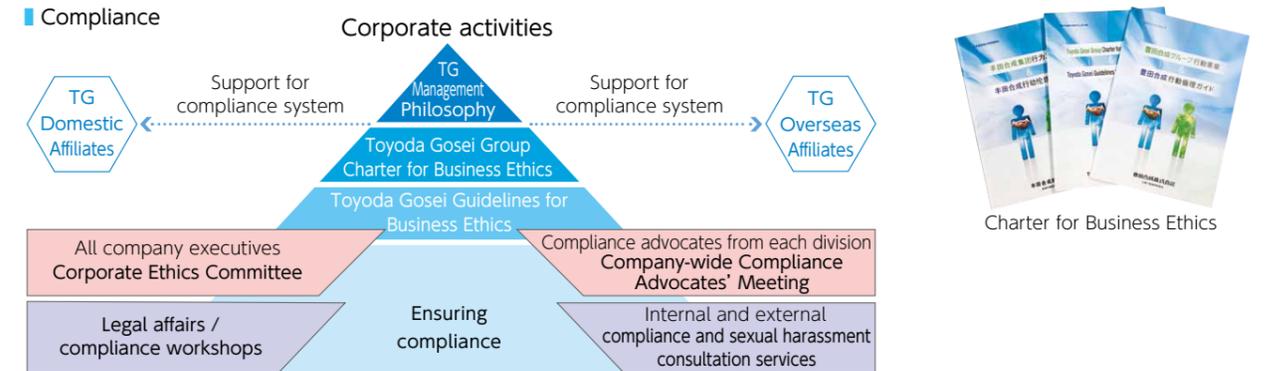
executed smoothly.

As part of our efforts to maintain a healthy internal control environment in Group companies, we share our Corporate Principles and Charter for Business Ethics with all Group companies. While respecting the management autonomy of our subsidiaries, we receive regular business reports and confirm the appropriateness and legality of our subsidiaries' business activities through advance reports and an approval system. We also send nonexecutive directors and auditors to key subsidiaries to observe and monitor their business execution.

Compliance

Toyoda Gosei conducts thorough compliance activities to ensure that employees obey all laws and regulations, and to instill in all employees a keen sense of corporate ethics. The Toyoda Gosei Group Charter for Business Ethics sets forth shared values and behavioral standards for the Group, and all Group companies worldwide incorporate this charter into their own behavioral guidelines. We have also formulated the Toyoda Gosei Guidelines for Business

Ethics and distribute them to all employees. In 1997 we established a Corporate Ethics Committee with the President serving as chairman and all company executives as members. Together with Compliance Advocates in each division, the committee works for thorough compliance with a unified approach by management and worksites. We have also set up internal and external compliance consultation offices for early resolution of them.



Ongoing educational activities

We conduct ongoing educational activities to raise the compliance awareness of all employees. In addition to regular compliance training that targets employees by level in the company and type of risk, we present specific, easily understandable compliance lessons in cartoon format in company newsletters and post descriptions of legal compliance cases on company message boards. Systematic, autonomous compliance education is provided to help people in each department recognize the risks inherent to their work and

prevent infractions. We also conduct annual surveys of employees' understanding of compliance, and make improvements where needed.

Major workshops

Workshop name	No. of times held	Participants
New employee workshop	2 times	134
New manager workshop	1 time	72
Designated legal affairs workshop (for mid-career employees)	6 times	236
Antitrust and anti-bribery training (for overseas base)	4 times	76

Strengthening compliance systems of affiliates worldwide

Toyoda Gosei Co., Ltd. provides support so that each Group company worldwide can independently promote compliance. In Japan we share information in an annual compliance liaison conference and conduct ongoing issue resolution activities in which

each company identifies latent risks and takes preventive measures. In other countries, we promote systematic compliance activities suited to each country and company, and conduct antitrust and anti-bribery training centered on areas of high risk.

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Compliance training in India

In FY 2016, two Group companies in India held compliance training with total participation by 76 people, including local staff and employees sent from Japan. Indian and Japanese lawyers were invited as instructors, and participants learned key points in laws and regulations as well as things to be careful of in work related to antitrust laws and corruption, for which the risk is rising globally. Participants also deepened their understanding of Indian labor laws, in which each state has its own regulations.



Risk Management

Toyota Gosei implements information security measures to protect corporate information assets

and measures to prepare for the event of a large-scale disaster.

Crisis Management Project in anticipation of large-scale earthquake disasters

Japan is a land of earthquakes, and we have put into place a crisis management system for the event of a massive earthquake based on the principles of human life first, community support, and early recovery. Specifically, we are carrying out a Crisis Management Project to strengthen our ability to deal with disasters, focusing on the two areas of developing and enhancing first responses and clarifying response procedures for quick restoration of production. Since 2013 we have conducted resilience training more than 60 times for directors and members of anti-disaster departments, based on the idea that in addition to infrastructure and system measures, improving the skills of response personnel is essential. We have also established specific procedures for the recovery of affected

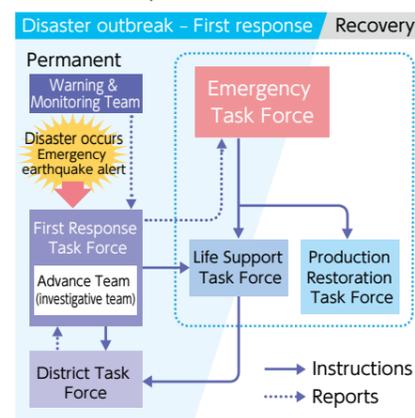
buildings, facilities, and processes and for alternative production in a production recovery system. Recovery training for design drawings and other data is also carried out so that product development can be continued even after disasters.

In FY2016 we held study meetings two times each for affiliates and suppliers to enhance their crisis management. Weaknesses were identified through evaluations using an "anti-earthquake measure implementation status check sheet" and graphing the results. Examples of handling at Toyota Gosei and other companies were introduced and business continuation plans were prepared cooperatively. Disaster handling of delivery boxes and handling procedures for logistics recovery were also put in place.

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 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 Installment 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 Maintenance of supply chain information Teleconference system for multiple locations using tablet computers Earthquake bulletin and employee safety information system training Employee safety follow-up system incorporating arrival and departure times at company and business trip data Preparation of a business continuation plan

Disaster response



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Resilience training

In resilience training to improve the ability of executives and employees to respond to emergencies, videos and sounds of various disaster situations that occur during emergencies are played for participants to see whether they can respond flexibly and appropriately in situations that are changing moment by moment. Participants' response details and procedures are verified, leading to task resolution and improvement. So far a total of 1,200 executives and employees have participated. Two hundred forty people from 41 suppliers have also participated. In addition, about four people are appointed as "headquarters leaders" in each business location to support headquarters chiefs in taking measures for the district, sharing rules and basic knowledge for emergencies and company issues and response policies through training sessions. *Kaizen* is continuing at each place of business, setting up information organization boards for plant layout, task force organization charts, and disaster situations.



Strengthening information security measures and raising awareness

Toyota Gosei maintains thorough information security measures to strengthen the management of confidential information. Together with annual checks of the compliance status of each division based on company confidentiality management regulations, we conduct onsite audits. Self-inspections are also done at Group companies in

Japan and affiliates in other countries. 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.

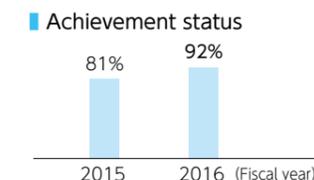
Enhanced measures

Classification		Measures
Prevention of leaks from negligence	Hard	<ul style="list-style-type: none"> Printing restrictions with ID card authentication on multifunction machines, dedicated drawing printers
	Soft	<ul style="list-style-type: none"> Data encryption of all PCs Security measures when sending emails out of the company (CC to superiors, encryption of attached files)
Prevention of malicious unauthorized leaks	Hard	<ul style="list-style-type: none"> Increased surveillance cameras Installation of wire locks for prevent PC theft Restrictions on writing onto external storage media
	Soft	<ul style="list-style-type: none"> Confidentiality pledge Stricter applications for removing items from premises Restricted file server access System use records Strengthened hacking prevention measures (Internet) Prevention of unauthorized connection of terminals brought in from outside
Educational activities (ethics)		<ul style="list-style-type: none"> New employee education Companywide security control voluntary inspections using check sheets On-site checks of each department Training in responding to standard email

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Local security control audits of group companies in Japan

The Toyota Gosei Group conducts voluntary inspections of security control based on shared security guidelines. In FY2016, to check the validity of those assessment results, Toyota Gosei Co., Ltd. representatives visited 11 Group companies in Japan for audits. The voluntary inspection results were compared with documentation and guidance was issued on *kaizen* points and plans for items that need to be reassessed. Confidentiality management intent and target values that cannot be sufficiently conveyed by phone or email are shared through actual visits.



Checking whether the content of each company's provisions and procedures fulfill guideline questions.